

Plantation

Expecting a slide

Softer price entering the last 4 months of FY22

The global palm oil price rally has slowed down after reaching a record high in the 1H22. We believe that this is mainly driven by Indonesia's initiative to reduce its high inventory level by rising the DMO multiplication to 1:9 (previously at 1:7) and to boost export by giving incentives for palm oil exporters in the form of export levy exemption. **We are sticking to our FY22F CPO price assumption at MYR5,000/MT**, meaning that CPO prices for the last 4 months in FY22 will stay at approximately MYR3,800/MT considering 1) **the ample production of overall vegetable oil** from seasonality peak harvest coupled with overall good weather in 2020 and 2021 due to gradual absence of La Nina's impact, 2) downward price pressure from **high CPO inventory level in Indonesia and Malaysia**, and 3) **impaired palm oil import demand from China** as the country is facing a prolonged lockdown.

Lower export duty threshold to impact 8-13% FY23F earnings

Ministry of Finance adjusted the floor and ceiling price of export tax duty to <USD680/MT (from <USD750/MT) and >USD1,430/MT (from >USD1,500/MT), respectively. This regulation was effective from 9Aug2022 and we would see lower revenue and earnings performance for CPO players under our coverage starting 2023. Assuming that the government does not change the export levy rate in 2023 and using our price before tax assumption of MYR3,500/MT in FY23, **we would see 8-13% lower earnings performance for CPO players** under our coverage starting FY23F given the new tax regulations. Subsequently, we projected a **~11% lower ASP (net of tax) for FY23F at MYR3,100/MT (-18% YoY)**.

Sufficient biodiesel fund amid export levy exemption extension

We calculate that biodiesel fund collected from the export levy amounted to ~IDR37tn in 1H22 and fund needed to cover the price spread between domestic CPO price and oil price stood around ~IDR26tn in the same period. On July22, we finally see that the price spread has flattened to only IDR124/lt due to the normalizing domestic CPO price and we estimate the fund needed on 2H22F will decrease to around IDR5-9tn. There should be **no problem to run the biodiesel B35 program should the government decide to extend the export levy exemption until end of 2022**.

Downgrade to Neutral call on the sector

We downgraded our sector call to **Neutral** with preference to CPO players with 1) younger plantation portfolio as it would provide a strong volume growth entering prime age to offset the lower CPO prices in FY23F and going forward, 2) awareness towards ESG, and 3) strong ROE generation. We have a buy call on TAPG, SSMS, and DSNG and hold call on LSIP and AALI.

Company	Bloomberg Ticker	PE (x)		PBV (x)		ROE		EV/EBITDA (x)	
		FY22F	FY23F	FY22F	FY23F	FY22F	FY23F	FY22F	FY23F
Astra Agro	AALI IJ	10.5	17.0	0.7	0.7	15.9	4.2	3.5	7.8
London Sumatra	LSIP IJ	8.1	10.2	0.9	0.8	9.4	7.1	3.2	3.1
Dharma Satya N	DSNG IJ	5.4	6.3	0.7	0.6	13.0	10.0	4.9	5.1
Triputra Agro P	TAPG IJ	4.8	7.5	1.5	1.3	31.0	17.8	3.0	4.8
Sawit Sumbermas	TAPG IJ	4.5	6.2	1.5	1.4	38.0	22.9	4.2	5.4

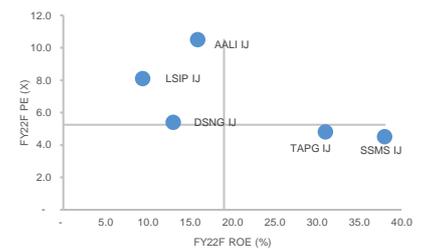
Sector Update

Plantation

9 September 2022

Neutral (Downgrade)

Company	Rating	TP (IDR)
AALI	HOLD	8310
DSNG	BUY	650
LSIP	HOLD	1300
SSMS	BUY	1780
TAPG	BUY	1100



Source: KISI, Company

Nicholas Kevin M
nicholas.k@kisi.co.id

Edward Tanuwijaya
edward.t@kisi.co.id

I. Softer price outlook entering last 4 months of FY22

After setting a new high in the 1H22, the worldwide price surge for palm oil is on reversal trend. We think that the primary driving force behind this is Indonesia's initiative to reduce its high inventory level by rising the DMO multiplication to 1:9 (previously at 1:7) and to boost export by giving incentives for palm oil exporters in the form of export levy exemption until 31Aug2022. Following that, Ministry of Finance adjusted the floor and ceiling price of export tax duty to <USD680/MT (from <USD750/MT) and >USD1,430/MT (from >USD1,500/MT), respectively. This regulation went into force on 9Aug2022.

On the flip-side, government has decided to extend the export levy exemption until 31Oct2022 under PMK130/2022. Government's decision to extend the export will be a windfall for CPO players albeit the small-time window. We believe that extending the export levy exemption will give positive sentiment for CPO players to export and help clear the oversupply as currently ending stock on 6M22 stood at 6.7mn tonnes where usually it stays around 3-4mn tonnes. After a total of 3.5 levy-free months (15July2022-31Oct2022), we will see a higher levy implemented starting 1Nov2022.

Table 1. Changes in CPO export duty and levy

New export duty, effective 9 Aug 2022																	
Crude Palm Oil	<680	680-730	730-780	780-830	830-880	880-930	930-980	980-1030	1030-1080	1080-1130	1130-1180	1180-1230	1230-1280	1280-1330	1330-1380	1380-1430	>1,430
Duty (PMK 123/2022)	0	3	18	33	52	74	124	148	178	201	220	240	250	260	270	280	288
Previous duty																	
Crude Palm Oil	<750	750-800	800-850	850-900	900-950	950-1,000	1,000-1,050	1,050-1,100	1,100-1,150	1,150-1,200	1,200-1,250	1,250-1,300	1,300-1,350	1,350-1,400	1,400-1,450	1,450-1,500	>1,500
Duty (PMK 98/2022)	0	3	18	33	52	74	124	148	178	201	220	240	250	260	270	280	288
Extended levy exemption until 31 October 2022																	
Crude Palm Oil	<750	750-800	800-850	850-900	900-950	950-1,000	1,000-1,050	1,050-1,100	1,100-1,150	1,150-1,200	1,200-1,250	1,250-1,300	1,300-1,350	1,350-1,400	1,400-1,450	1,450-1,500	>1,500
Levy (PMK 130/2022)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Levy effective 1 November 2022																	
Crude Palm Oil	<750	750-800	800-850	850-900	900-950	950-1,000	1,000-1,050	1,050-1,100	1,100-1,150	1,150-1,200	1,200-1,250	1,250-1,300	1,300-1,350	1,350-1,400	1,400-1,450	1,450-1,500	>1,500
Levy (PMK 130/2022)	55	65	75	85	90	95	100	105	110	115	120	140	160	180	200	220	240

Source: KISI, MoF

The price has hit the peak in 1H22 with an average of MYR6,300/MT and given the price movement in July2022 and August2022, we expect CPO prices to normalize to MYR3,800 for the last 4 months of FY22. Supply-wise, vegetable oil is about to reach its seasonal peak harvest coupled with overall favorable weather in 2020 and 2021 as a result of the effects of La Nina's receding in countries in Northern Hemisphere that produce soybeans. We expect pressure from high soybean output, as according to USDA, soybean production may hit a record in FY22/FY23F with a total production of 391.4mn tonnes (up by 11% YoY) should the favorable weather conditions persists until the end of 2022.

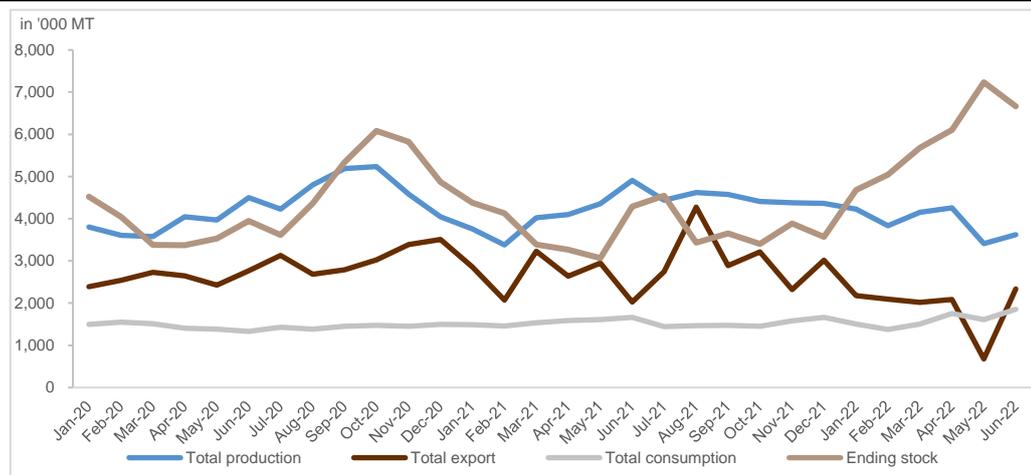
Table 2. Global soybean output (Sept-Aug)

(in mn tonnes)	FY13/14	FY14/15	FY15/16	FY16/17	FY17/18	FY18/19	FY19/20	FY20/21	FY21/22	FY22/23F
US	91.39	106.89	106.87	116.93	120.07	120.52	96.79	117.38	120.7	122.6
Brazil	86.7	97.2	96.5	114.6	122	119	126	133	125.0	149.0
Argentina	53.4	61.4	58.8	55	37.8	55.3	51	53.3	43.5	51.0
China	11.95	12.15	12.37	13.6	15.28	15.97	18.1	17.5	16.4	17.5
India	9.5	8.71	6.93	10.99	8.35	10.93	9.3	11.2	11.9	11.5
Paraguay	8.2	8.15	8.86	9.16	10.48	8.85	9.9	10.25	4.2	10.0
Canada	5.4	6.05	6.46	6.6	7.72	7.27	6	6	6.3	6.0
Other	16	19.2	19.12	21.42	20.05	22.43	21.02	14.13	24.8	23.8
Total	282.54	319.75	315.91	348.3	341.75	360.27	338.11	362.76	352.75	391.4

Source: KISI, USDA

Malaysia's palm oil inventory is expected to hit a 3-year high of 2.03 million tonnes (15% MoM) in August2022 while facing fierce competition as Indonesia eased its export ban. The rise in palm oil production to 1.7 million tonnes (+8% MoM), reaching a 10-month high, and the mild palm oil export to 1.32 million tonnes (down 0.14% MoM) were also the key factors contributing to the larger CPO inventory.

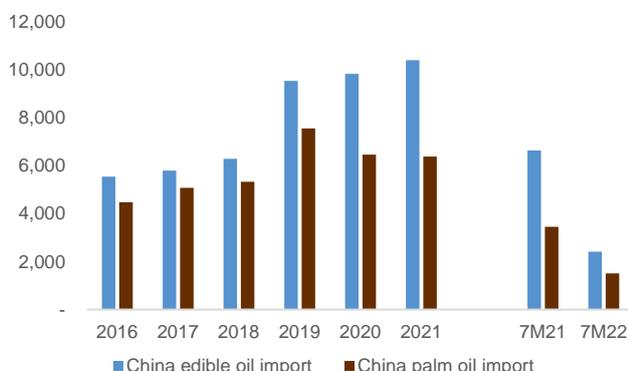
Fig 1. Malaysia palm oil monthly data



Source: KISI, MPOC

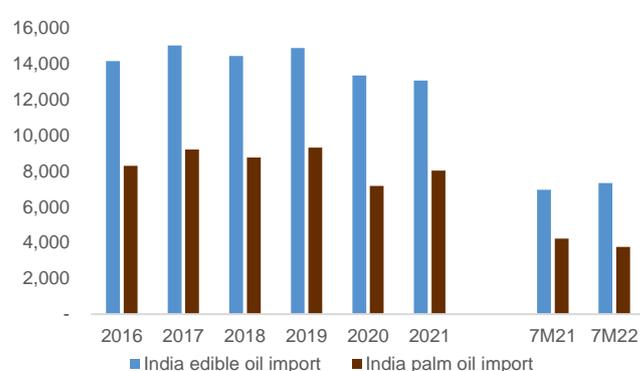
On the demand side, we have to take a look at leading palm oil consumers and most populous countries, China and India. China's strict zero covid policy has led to continuous restrictions and lockdowns, which negatively impact overall economic activity. According to the Chinese business portal Caixin, currently, 33 cities in China are under partial or full lockdowns including economic powerhouses and tech hub such as Guangzhou, Shenzhen, and Chengdu. Areas under lockdown accounted for 35% of total GDP, disrupting activities of ~65mn people. Figure 1 shows that China's overall edible oil and palm oil import has been cut by more than half. Based on its 7M22, we believe that China's vegetable oil demand will remain much lower than last year, especially faced with a prolonged lockdown.

Fig 2. China vegetable oil import



Source: Bloomberg, KISI

Fig 3. India vegetable oil import



Source: Bloomberg, KISI

India has two-thirds of its edible oil consumption fulfilled through imports of soybean oil (from Argentina, and Brazil) and palm oil (from Indonesia and Malaysia). In late May 2022, India allowed duty-free imports of 2mn tonnes each of soybean oil and sunflower oil in order to curb local edible oil prices. This government-issued quota is valid for the current fiscal year and the following fiscal year, both of which finish on March 31. CPO is nevertheless subject to a 5.5% duty rate. The price spread between soybean oil and CPO, however, hit a 10-year-wide record, as can be observed in Figure 3. The current spread is at ~USD726/MT, while the 10-yr average spread stood at USD131/MT, giving a huge discount on CPO price as compared to soybean oil which would make palm oil purchase a more preferable option. This is reflected by India's monthly palm oil import on August2022 which nearly doubled to 1.03mn tonnes while soybean oil import decreased by half to just 240,000 tonnes. India's preference shift in favor of CPO ought to increase price pressure and aid in clearing Indonesia's soaring inventory.

Table 3. India vegetable oil duty rate

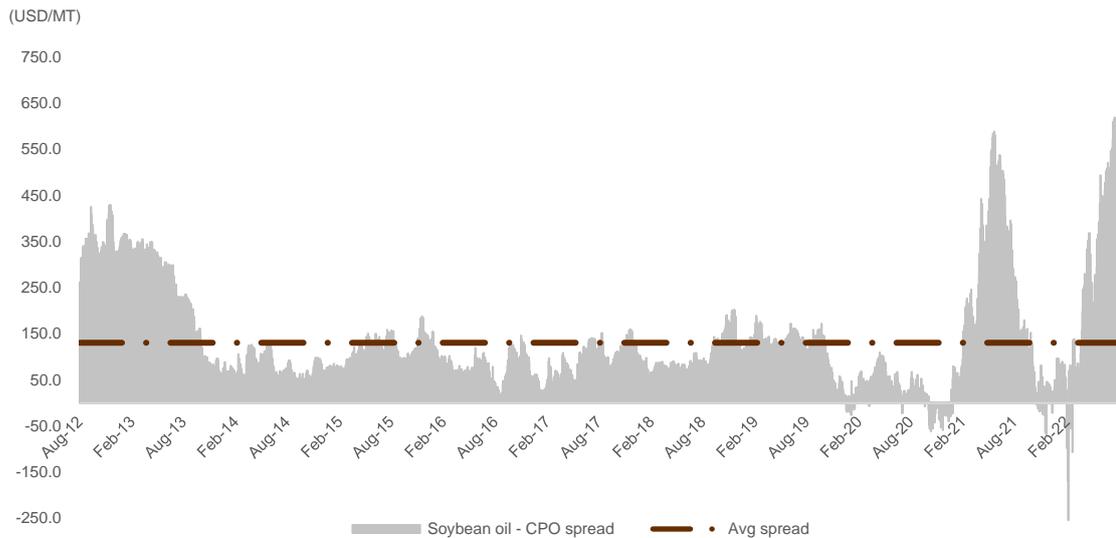
Edible oils import duty	24-May-22	13-Feb-22	20-Dec-21	11-Sep-21	20-Aug-21
Crude Palm Oil	5.50%	5.50%	8.25%	24.75%	30.25%
RBD palmolein	13.75%	13.75%	13.75%	35.75%	41.25%
RBD Palm Oil	13.75%	13.75%	13.75%	35.75%	41.25%
Crude Soybean Oil	-	5.50%	5.50%	24.75%	30.25%
Crude Sunflower Oil	-	5.50%	5.50%	24.75%	30.25%
Crude Rapeseed Oil	38.50%	38.50%	38.50%	38.50%	38.50%
Refined Soybean Oil	19.25%	19.25%	19.25%	35.75%	41.25%
Refined Sunflower Oil	19.25%	19.25%	19.25%	35.75%	41.25%
Refined Rapeseed Oil	49.50%	49.50%	49.50%	49.50%	49.50%
Crude Cottonseed Oil	38.50%	38.50%	38.50%	38.50%	38.50%
Refined Cottonseed Oil	49.50%	49.50%	49.50%	49.50%	49.50%

Source: KISI, The Solvent Extractors' Association of India

Looking back on the historical spread 10 years ago, we can see that when the spread reached around 500USD/MT, there was a switch in demand toward CPO, which causes the price spread to narrow (Aug2012-Aug2013 and Mar2021-Sep2021). Following the seasonality, both China and India will stock up ~1-2 months ahead of festivals such as

Mid-Autumn festival on the third week of September, China's National Holiday on the first week of October, and India's Diwali festival on the last week of October. Given that both parties must stock up before festival days, the spread has not yet begun to close as CPO prices kept being pummeled down by the flooding supply from Indonesia and Malaysia.

Fig 4. Soybean oil- CPO price spread



Source: KISI, Bloomberg

We are sticking to our FY22F CPO price assumption at MYR5,000/MT, meaning that CPO prices for the last 4 months in FY22 will stay at approximately MYR3,800/MT in light of the following factors; 1) **the ample production of overall vegetable oil** from seasonal peak harvest coupled with overall good weather in 2020 and 2021 as a result of La Nina's impacts subsiding, 2) downward price pressure from **high CPO inventory level in Indonesia**, and 3) **impaired palm oil import demand from China** as the country is facing a prolonged lockdown.

II. Regulation impact on FY23 assumptions

Our FY23F CPO price before tax assumption is MYR3,500/MT (from previously MYR2,800/MT) considering: 1) the ongoing conflict between Russia and Ukraine which led to sunflower oil supply cut, tightening the global vegetable oil supply balance, 2) rising fertilizer price and difficulty to secure its supply, and 3) labor shortfall in Malaysia which remains unsolved. Though, we would see lower earnings performance for CPO players under our coverage in FY23F onwards given the new tax regulations. We projected a ~11% lower ASP (net of tax) for FY23F at MYR3,100/MT (-18% YoY).

The following sections show the summary of changes and recommendations for CPO players under our coverage:

Sawit Sumbermas Sarana (SSMS) – Maintain BUY call with a lower TP of IDR1,780/sh (from previously IDR2,040/sh), offering 40% upside. We utilize DCF valuation with a WACC of 13.3% and our new TP implies 6.4x FY22F PE (close to its 3-yr mean), 38% FY22F ROE, and EV/Ha of USD19,863/Ha in FY22F. We view that SSMS should be trading at a premium valuation given its (i) prime age profile and having the best FFB yield among Indonesian plantations, (ii) strong ROE generation, and (iii) its compliance with ESG.

Factoring in the new export duty regulation, we readjust FY23F revenue to IDR5.8tn (lower by 5%) and GPM at 52.1% (from 54.7%). Earnings also changed significantly lower by 13% to IDR2tn in FY23F.

Table 4. SSMS's tax change impact to earnings

Assumptions	Unit	Revised		Previous		% change	
		FY22F	FY23F	FY22F	FY23F	FY22F	FY23F
CPO price	MYR/MT	5,000	3,500	5,000	3,500		
ASP net of tax	IDR/Kg	12,100	9,400	12,100	10,000		
Revenue	IDR bn	7,293	5,825	7,293	6,149	0%	-5%
Gross profit	IDR bn	4,102	3,036	4,102	3,361	0%	-10%
EBIT	IDR bn	3,326	2,297	3,326	2,611	0%	-12%
Net profit	IDR bn	2,685	1,966	2,685	2,247	0%	-13%
Margin							
Gross margin	%	56.2%	52.1%	56.2%	54.7%	0%	-5%
EBIT margin	%	45.6%	39.4%	45.6%	42.5%	0%	-7%
Net profit margin	%	36.8%	33.7%	36.8%	36.5%	0%	-8%

Source: KISI, Company

London Sumatra Plantation (LSIP) – Downgrade to HOLD call with a lower TP of IDR1,300sh (from previously IDR1,900/sh), offering a 14% upside. Our DCF based TP implies 9.2x FY22F PE (around -0.5std dev from its 5-yr mean) and USD5,899 EV/Ha. Despite the recent CPO price appreciation, LSIP’s valuation has not been reflecting potential earning improvement and LSIP’s EV per Ha is close to the current replacement cost of USD6,000/Ha. LSIP is a pure play on CPO, similar to SSMS, and has a strong balance sheet with zero debt. Therefore, LSIP should be able to carry out aggressive replanting to replace its old mature estate.

Under the new price assumption and new tax regulation, we would see a slightly higher revenue of 5.5% in FY22F and lower revenue by 7.5% in FY23F respectively. The strong CPO price and cost-effectiveness will also result in a higher GPM of 40%/41% in FY22F and FY23F respectively. As a result, we adjusted our earnings to IDR967bn and IDR768bn in FY22F/FY23F.

Table 5. LSIP earnings assumption change

Assumptions	Unit	Revised new tax		Previous		% change	
		FY22F	FY23F	FY22F	FY23F	FY22F	FY23F
CPO price	MYR/MT	5,000	3,500				
ASP net of tax	MYR/MT	3,800	3,100	3,500	2,800		
Revenue	IDR bn	4,593	3,881	4,354	4,197	5.5%	-7.5%
Gross profit	IDR bn	1,808	1,580	1,395	1,123	29.6%	40.7%
EBIT	IDR bn	1,153	904	1,130	845	2.1%	6.9%
Net profit	IDR bn	967	768	940	713	2.9%	7.7%
Margin							
Gross margin	%	39.4%	40.7%	32.0%	26.8%	23%	52%
EBIT margin	%	25.1%	23.3%	26.0%	20.1%	-3%	16%
Net profit margin	%	21.1%	19.8%	21.6%	17.0%	-3%	16%

Source: KISI, Company

Dharma Satya Nusantara (DSNG) – Maintain BUY with a lower TP of IDR650/sh (from previously IDR1,000/sh). Our DCF-based TP implies 7.3x FY22F PE (-0.5 std dev of its 5-yr mean PE). We like DSNG for its soon-to-be reaching prime estate profile with an average age of 12yr (similar with SSMS and TAPG) but with a lower FY22F ROE of 13% compared to those. DSNG is also aware of its ESG presence with 84%/68% of its plantation having the ISPO/RSPO certification and is also ranked 7th worldwide on SPOTT with a total score of 85.9%.

Under the new price assumption and new tax regulation, we adjust revenue to IDR8,534bn and IDR7,429bn in FY22F/FY23F respectively. The strong CPO price will also result in a higher GPM of 36%/36% in FY22F/FY23F respectively. As a result, we adjusted our earnings to IDR944bn and IDR799bn in FY22F/FY23F.

Table 6. DSNG earnings assumption change

Assumptions	Unit	Revised		Previous		% change	
		FY22F	FY23F	FY22F	FY23F	FY22F	FY23F
CPO price	MYR/MT	5,000	3,500				
ASP net of tax	MYR/MT	3,800	3,100	3,500	2,800		
Revenue	IDR bn	8,534	7,429	8,393	8,096	1.7%	-8.2%
Gross profit	IDR bn	2,325	2,053	2,348	2,155	-1.0%	-4.7%
EBIT	IDR bn	1,518	1,206	1,523	1,284	-0.3%	-6.1%
Net profit	IDR bn	944	799	891	743	5.9%	7.5%
Margin							
Gross margin	%	35.9%	35.9%	28.0%	26.6%	28%	35%
EBIT margin	%	27.0%	27.0%	18.1%	15.9%	49%	70%
Net profit margin	%	18.4%	11.5%	10.6%	9.2%	74%	25%

Source: KISI, Company

Triputra Agro Persada (TAPG) – Maintain BUY with a lower TP of IDR1,100/sh(from IDR1,200/sh), offering a 33% upside. Our DCF-based TP implies 7.2x FY22F PE (at SSMS's 3-yr mean PE). We think TAPG should be trading at a premium driven by its high yielded plantation profile (similar to SSMS), high FY22F ROE of 31%, and awareness towards ESG as it is the only Indonesian plantation company to hold the ESG certification. Moreover, TAPG's large planted oil palm area of 159,656Ha and the young prime palm oil age will provide significant growth upside going forward.

Under the new price assumption and new tax regulation, we would see a higher revenue of 25%/4% in FY22F and FY23F respectively from our previous price assumption. The strong CPO price will also result in a higher GPM of 41%/30% in FY22F and FY23F respectively. As a result, we adjusted our earnings to IDR3.026bn and IDR1.920bn in FY22F/FY23F.

Table 7. TAPG earnings assumption change

Assumptions	Unit	Revised		Previous		% change	
		FY22F	FY23F	FY22F	FY23F	FY22F	FY23F
CPO price	MYR/MT	5,000	3,500				
ASP net of tax	MYR/MT	3,800	3,100	3,500	2,800		
Revenue	IDR bn	9,496	7,848	7,632	7,585	24.4%	3.5%
Gross profit	IDR bn	3,901	2,354	2,175	2,124	79.4%	10.8%
EBIT	IDR bn	3,329	1,737	1,597	1,499	108.5%	15.9%
Net profit	IDR bn	3,026	1,920	1,323	1,184	128.6%	62.1%
Margin							
Gross margin	%	41.1%	30.0%	28.5%	28.0%	44%	7%
EBIT margin	%	35.1%	22.1%	20.9%	19.8%	68%	12%
Net profit margin	%	31.9%	24.5%	17.3%	15.6%	84%	57%

Source: KISI, Company

Astra Agro Lestari (AALI) – Downgrade to HOLD with TP at IDR8,310/sh (from previously IDR13,100/sh). We utilize DCF with WACC of 12.1% to arrive at the fair value, implying a 9.7x FY22F PE (-1 std dev of its 5-yr mean). Despite having one of the biggest plantation areas in Indonesia, we view that AALI is fairly valued at the current level on the back of 1) aging trees, 2) weak FFB and CPO production, and 3) soft GPM.

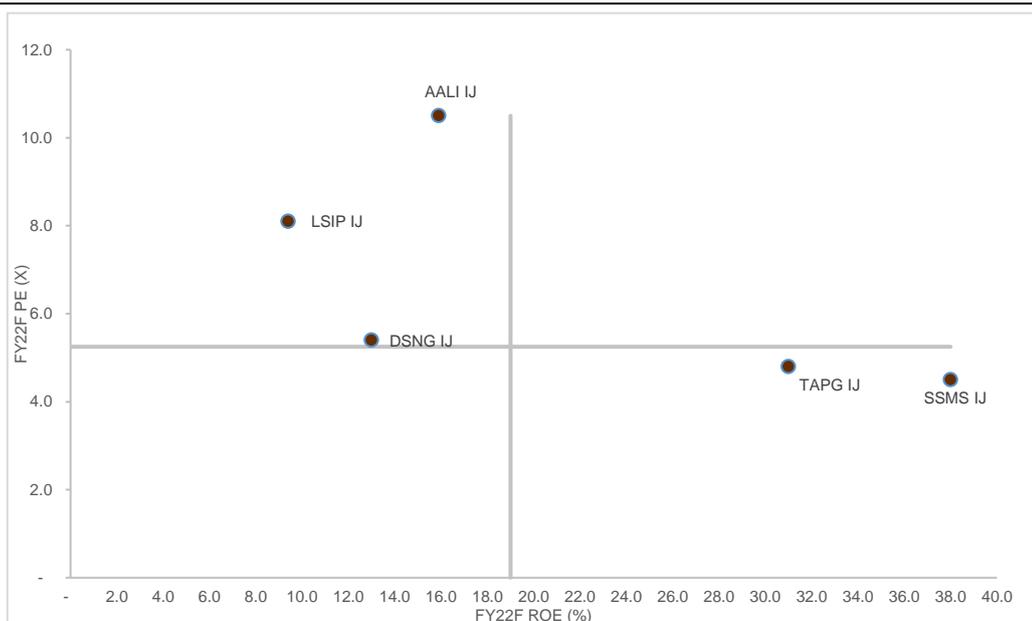
Under the new price assumption and new tax regulation, we would see a higher revenue by 13%/2% in FY22F/FY23F respectively from our previous price assumption. The strong CPO price will also result in a higher GPM of 17% in FY23F respectively. As a result, we adjusted our earnings to IDR1,666bn and IDR1,018bn in FY22F/FY23F.

Table 8. AALI earnings assumption change

Assumptions	Unit	Revised		Previous		% change	
		FY22F	FY23F	FY22F	FY23F	FY22F	FY23F
CPO price	MYR/MT	5,000	3,500				
CPO price, net tax	MYR/MT	3,800	3,100	3,500	2,800		
Revenue	IDR bn	24,165	19,828	21,334	19,517	13.3%	1.6%
Gross profit	IDR bn	4,273	3,387	4,142	2,891	3.2%	17.2%
EBIT	IDR bn	2,853	2,013	2,781	1,472	2.6%	36.8%
Net profit	IDR bn	1,666	1,018	1,484	746	12.3%	36.5%
Margin							
Gross margin	%	17.7%	17.1%	19.4%	14.8%	-9%	15%
EBIT margin	%	11.8%	10.2%	13.0%	7.5%	-9%	35%
Net profit margin	%	6.9%	5.1%	7.0%	3.8%	-1%	34%

Source: KISI, Company

Fig 5. PE and ROE quadrant

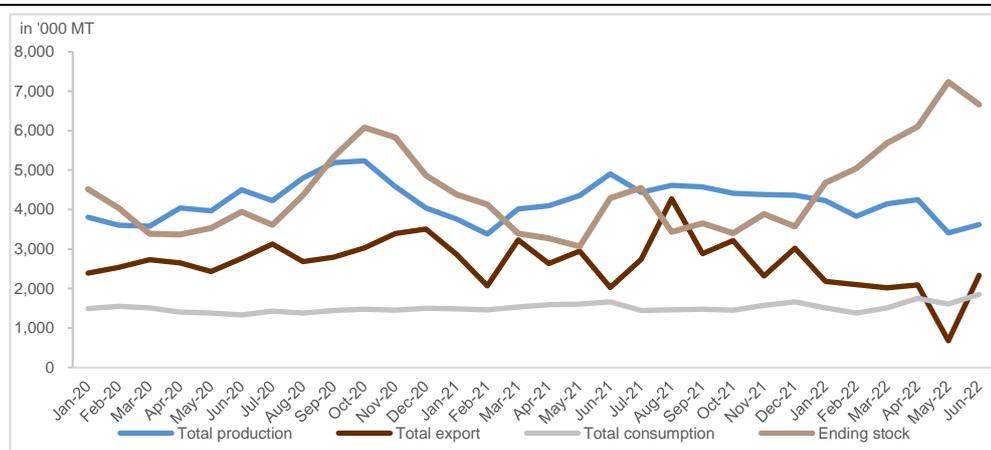


Source: KISI, Company

III. No concern on biodiesel fund

We calculate that the biodiesel fund collected from the export levy amounted to ~IDR37tn in 1H22 and the fund needed to cover the index price spread between biodiesel price and diesel price stood around ~IDR26tn in the same period. On July22, we finally see that the price spread has flattened to only IDR124/ltr due to the normalizing domestic CPO price and at current rate, we estimate the **fund needed on 2H22F will decrease to around ~IDR3tn**. There should **not be any problem to run the biodiesel B35 program should the government decide to extend the export levy exemption until the end of 2022**. Furthermore, this should help giving upward pressure for domestic CPO price as it currently reflects a discount of global price with total export tax, which eventually should help boost FFB price.

Fig 6. Indonesia palm oil monthly data



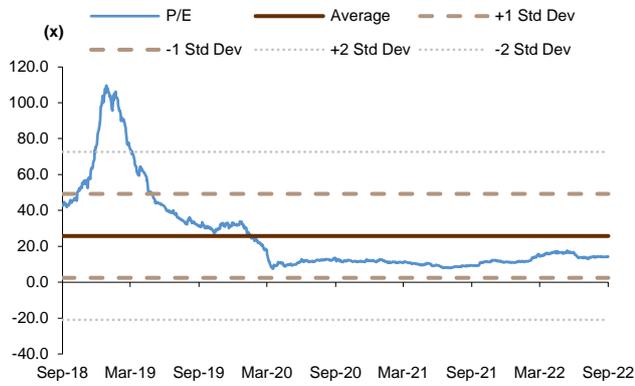
Source: KISI, GAPKI

Table 9. Biodiesel fund estimation

Indonesia biodiesel mandate estimation	units	2020	2021	7M22	FY22F if export levy is exempted until Dec2022
Biodiesel price (domestic CPO price + USD85/MT)	IDR/ltr	8,567	10,909	14,214	12,952
Crude oil price- brent	IDR/ltr	4,515	6,500	9,506	9,800
Price spread	IDR/ltr	4,052	4,409	4,708	3,152
Biodiesel produced	Ltr	8,398,759,000	9,743,683,000	5,531,453,681	10,800,000,000
Export levy collected	IDR bn	20,263	71,169	37,060	37,060
Fund allocated for biodiesel	IDR bn	33,806	39,866	25,975	34,174
Biodiesel fund surplus/ (deficit)	IDR bn	(13,543)	31,304	11,084	2,886

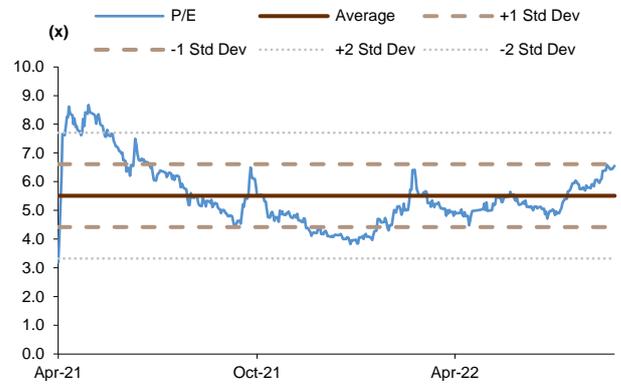
Source: KISI, APROBI, BDPKPS, GAPKI

Fig 7. AALI PE band



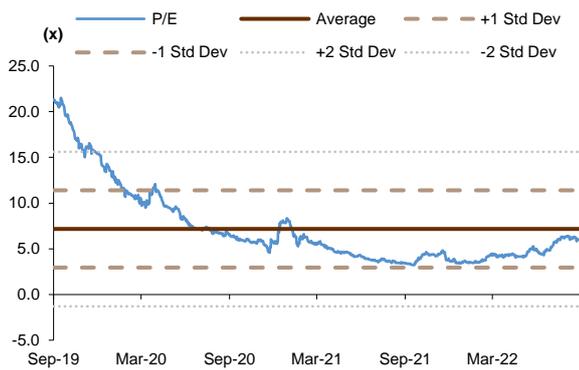
Source: Bloomberg, KISI

Fig 8. TAPG PE band



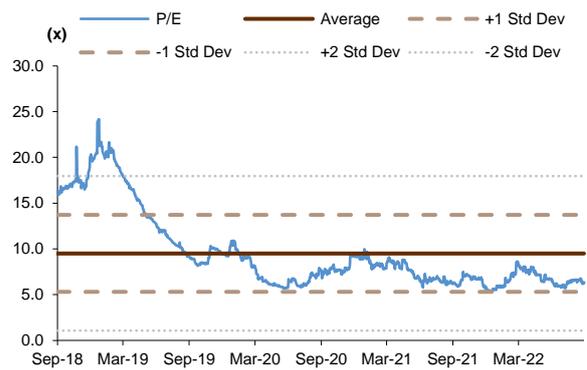
Source: Bloomberg, KISI

Fig 9. SSMS PE band



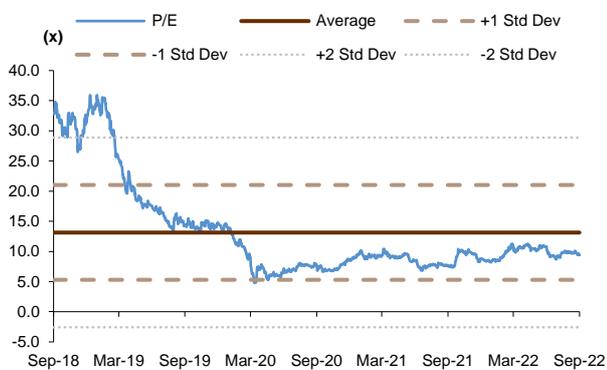
Source: Bloomberg, KISI

Fig 10. DSNG PE band



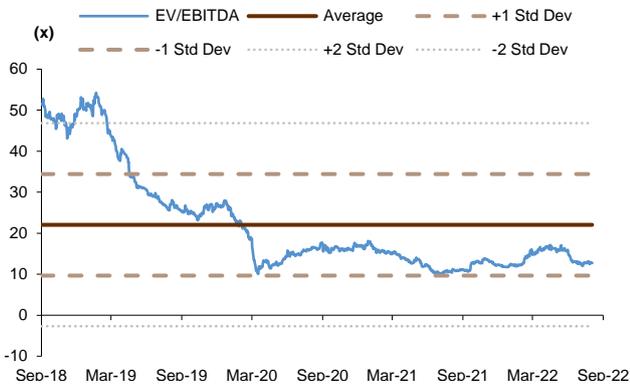
Source: Bloomberg, KISI

Fig 11. LSIP PE band



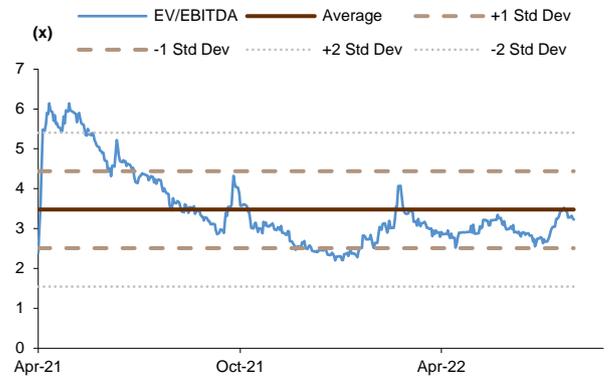
Source: Bloomberg, KISI

Fig 12. AALI EV/EBITDA band



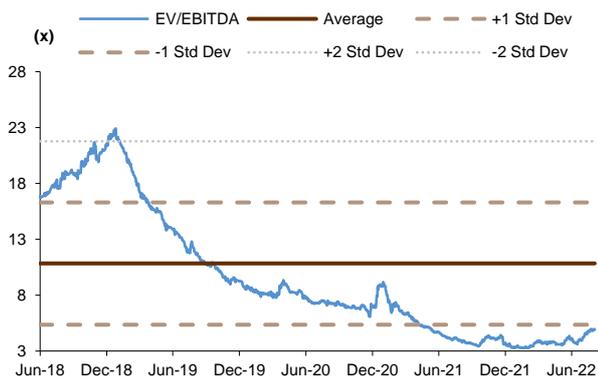
Source: Bloomberg, KISI

Fig 13. TAPG EV/EBITDA band



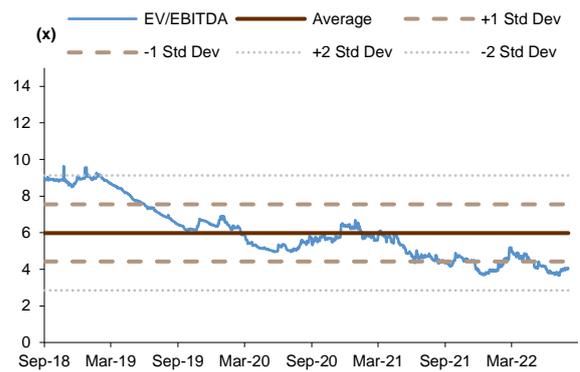
Source: Bloomberg, KISI

Fig 14. SSMS EV/EBITDA band



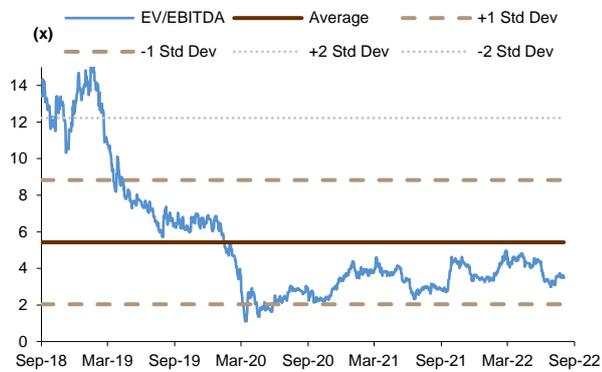
Source: Bloomberg, KISI

Fig 15. DSNG EV/EBITDA band



Source: Bloomberg, KISI

Fig 16. LSIP EV/EBITDA band



Source: Bloomberg, KISI

Triputra Agro Persada (TAPG IJ)

Balance sheet		(IDR bn)				
FY-ending Dec. (IDR bn)	2020A	2021A	2022F	2023F	2024F	
Current assets						
Cash & cash equivalent	1,490	1,280	4,638	5,061	6,817	
Accounts & other receivables	146	73	219	181	225	
Inventories	637	673	756	464	616	
Others	299	423	425	424	429	
Non-current assets						
Fixed assets	7,202	7,119	7,005	6,903	6,581	
Intangible assets	1,846	2,049	-	-	-	
Total investment	-	-	-	1	2	
Other non-current assets	704	829	890	890	890	
Total assets	12,324	12,446	13,932	13,924	15,557	
Current liabilities						
Accounts & other payables	385	267	390	383	509	
ST debt & bond	180	-	-	-	-	
Current portion of LT debt	657	640	640	640	640	
Others	692	697	808	755	833	
Non-current liabilities						
LT debt & financial liabilities	3,370	2,657	1,635	635	635	
Other non-current liabilities	3,748	3,038	1,968	967	977	
Total liabilities	5,668	4,650	3,815	2,756	2,970	
Controlling interest						
Capital stock	1,899	1,985	1,985	1,985	1,985	
Additional paid-in capital	3,262	3,335	3,335	3,335	3,335	
Retained earnings	(643)	(618)	(618)	(618)	(618)	
Others	1,951	2,810	5,092	6,103	7,482	
Total equity	6,469	7,513	9,794	10,806	12,185	

Cash flow		(IDR bn)				
FY-ending Dec. (IDR bn)	2020A	2021A	2022F	2023F	2024F	
C/F from operating						
Net profit	1,071	1,421	4,087	2,612	2,659	
Depreciation	509	557	684	671	892	
Net incr. in W/C	329	(82)	(7)	271	(15)	
Others	-	-	-	-	-	
C/F from investing	(606)	(213)	(357)	1,885	(167)	
CAPEX	1,272	1,484	1,384	2,338	1,607	
Others	(1,878)	(1,697)	(1,741)	(453)	(1,773)	
C/F from financing	(1,479)	(1,314)	(1,317)	(1,370)	(1,908)	
Incr. in equity	-	-	160	-	-	
Incr. in debts	(1,400)	(902)	(910)	(1,022)	(1,000)	
Dividends	-	-	(300)	(348)	(908)	
Others	(80)	(386)	(293)	-	-	
Increase in cash	(1,370)	26	(219)	3,358	423	

Income statement		(IDR bn)				
FY-ending Dec. (IDR bn)	2020A	2021A	2022F	2023F	2024F	
Sales	5,266	6,278	9,496	7,848	9,732	
COGS	(3,364)	(4,106)	(4,911)	(4,822)	(6,407)	
Gross profit	1,393	1,616	3,901	2,354	2,433	
SG&A expense	(504)	(367)	(572)	(618)	(667)	
Operating profit	889	1,249	3,329	1,737	1,766	
Financial income						
Interest income	49	21	50	50	50	
Financial expense						
Interest expense	(391)	(197)	(163)	(63)	(63)	
Other non-operating profit	436	-	-	-	-	
Gains (Losses) in associates, subsidiaries and JV	405	349	872	889	907	
Earnings before tax	1,071	1,421	4,087	2,612	2,659	
Income taxes	(138)	(223)	(1,022)	(653)	(665)	
Non-controlling interest	(22)	(40)	(40)	(40)	(40)	
Net profit	911	1,159	3,026	1,920	1,955	
EBITDA	1,406	1,805	4,013	2,408	2,658	

Key financial data

FY-ending Dec.	2020A	2021A	2022F	2023F	2024F
per share data (IDR)					
EPS	46	58	152	97	98
BPS	326	378	493	544	614
DPS	0	0	0	0	0
Growth (%)					
Sales growth	22	19	51	(17)	24
OP growth	(5)	(27)	56	8	8
NP growth	376	27	161	(37)	2
EBITDA growth	72	28	122	(40)	10
Profitability (%)					
OP margin	16.9	19.9	35.1	22.1	18.1
NP margin	17.3	18.5	31.9	24.5	20.1
EBITDA margin	26.7	28.8	42.3	30.7	27.3
ROE	7.4	9.4	22.9	13.8	13.3
ROA	15.1	15.4	30.9	17.8	16.0
Dividend yield	-	-	-	-	-
Dividend payout ratio	-	-	-	-	-
Stability					
Net debt (IDR bn)	2,060	1,377	-3,003	-4,426	-6,182
Int.-bearing debt/equity (%)	65	44	23	12	10
Valuation (X)					
PE	15.8	12.4	4.8	7.5	7.4
PB	2.2	1.9	1.5	1.3	1.2
EV/EBITDA	12.1	9.0	3.0	4.8	3.7

London Sumatra (LSIP IJ)

Balance sheet		(IDR bn)				
FY-ending Dec. (IDR bn)	2020A	2021A	2022F	2023F	2024F	
Current assets						
Cash & cash equivalent	1,959	3,368	2,850	3,698	4,199	
Accounts & other receivables	339	307	328	277	249	
Inventories	364	368	375	310	310	
Others	2,918	4,304	3,581	4,307	4,779	
Non-current assets						
Fixed assets	6,313	5,827	6,118	6,424	6,745	
Intangible assets	1,267	1,264	1,264	1,264	1,264	
Total investment	-	-	-	1	2	
Other non-current assets	7,995	7,536	7,599	7,857	8,150	
Total assets	10,923	11,851	11,192	12,176	12,942	
Current liabilities						
Accounts & other payables	263	313	295	244	244	
ST debt & bond	-	-	-	-	-	
Current portion of LT debt	-	-	-	-	-	
Others	597	696	661	550	533	
Non-current liabilities						
LT debt & financial liabilities	-	-	-	-	-	
Other non-current liabilities	1,039	978	77	77	77	
Total liabilities	1,039	982	77	77	77	
Controlling interest						
Capital stock	682	682	682	682	682	
Additional paid-in capital	1,030	1,030	1,030	1,030	1,030	
Retained earnings	97	102	103	108	113	
Others	7,475	8,357	8,598	9,545	10,552	
Minority interest	9,284	10,171	10,413	11,365	12,377	
Total equity	1,959	3,368	2,850	3,698	4,199	

Cash flow		(IDR bn)				
FY-ending Dec. (IDR bn)	2020A	2021A	2022F	2023F	2024F	
C/F from operating						
Net profit	293	279	329	370	413	
Depreciation	209	33	(200)	(112)	(28)	
Net incr. in W/C	-	-	-	1	2	
Others	(1,094)	(949)	(735)	(611)	(511)	
C/F from investing	(1,305)	(1,162)	(1,154)	(442)	(672)	
CAPEX	-	-	-	1	2	
Others	14	2	14	(40)	13	
C/F from financing						
Incr. in equity	(450)	(314)	(361)	(252)	(239)	
Incr. in debts	0	0	0	1	2	
Dividends	(462)	(27)	(456)	201	506	
Others	860	1,247	1,209	960	537	
Increase in cash	293	279	329	370	413	

Income statement		(IDR bn)				
FY-ending Dec. (IDR bn)	2020A	2021A	2022F	2023F	2024F	
Sales	3,537	4,525	4,593	3,881	3,481	
COGS	(2,461)	(2,717)	(2,785)	(2,301)	(2,301)	
Gross profit	1,076	1,808	1,808	1,580	1,179	
SG&A expense	(266)	(299)	(280)	(293)	(307)	
Operating profit	810	1,509	1,529	1,287	872	
Financial income	-	-	-	1	2	
Interest income	51	59	59	59	59	
Financial expense	-	-	-	1	2	
Interest expense	(1)	(0)	(1)	(1)	(1)	
Other non-operating profit	(6)	(3)	(3)	(3)	(2)	
Gains (Losses) in associates, subsidiaries and JV	0	0	0	1	2	
Earnings before tax	860	1,247	1,209	960	537	
Income taxes	(165)	(256)	(242)	(192)	(107)	
Non-controlling interest	-	-	-	-	-	
Net profit	696	990	967	768	430	
EBITDA	1,194	1,518	1,547	1,314	887	

Key financial data

FY-ending Dec.	2020A	2021A	2022F	2023F	2024F
per share data (IDR)					
EPS	102	145	142	113	63
BPS	1,361	1,491	1,526	1,666	1,814
DPS	15	20	20	21	20
Growth (%)					
Sales growth	-4.4	28.0	1.5	-15.5	-10.3
OP growth	304.2	36.5	1.0	-21.7	-46.8
NP growth	19.7	21.9	21.1	19.8	12.3
EBITDA growth	33.8	33.6	33.7	33.8	25.5
Profitability (%)					
OP margin	23.6	25.2	25.1	23.3	13.8
NP margin	19.7	21.9	21.1	19.8	12.3
EBITDA margin	33.8	33.6	33.7	33.8	25.5
ROE	6.6	8.7	8.4	6.6	3.4
ROA	7.8	10.2	9.4	7.1	3.6
Dividend yield	5.1	3.3	4.6	3.2	3.1
Dividend payout ratio	40.1	19.3	13.8	14.8	17.9
Stability					
Net debt (IDR bn)	0	0	0	0	0
Int.-bearing debt/equity (%)	21%	33%	27%	33%	34%
Valuation (X)					
PE	12.7	9.6	8.1	10.2	18.2
PB	1.0	0.9	0.8	0.7	0.6
EV/EBITDA	5.8	4.1	3.2	3.1	4.1

Dharma Satya Nusantara (DSNG IJ)

Balance sheet

(IDR bn)

FY-ending Dec. (IDR bn)	2020A	2021A	2022F	2023F	2024F
Current assets					
Cash & cash equivalent	648	422	1,520	2,247	648
Accounts & other receivables	398	269	323	281	398
Inventories	670	773	940	812	670
Others	2,611	2,320	3,679	4,343	2,611
Non-current assets					
Fixed assets	5,453	5,922	6,396	6,715	5,453
Intangible assets	-	-	-	1	-
Total investment	-	-	-	1	-
Other non-current assets	11,533	11,385	11,925	11,878	11,533
Total assets	14,151	13,712	15,613	16,231	14,151
Current liabilities					
Accounts & other payables	416	361	473	408	416
ST debt & bond	567	305	313	317	567
Current portion of LT debt	623	586	704	844	623
Others	2,291	1,855	2,251	2,269	2,291
Non-current liabilities					
LT debt & financial liabilities	4,294	3,503	3,153	2,838	4,294
Other non-current liabilities	5,623	4,827	4,545	4,264	5,623
Total liabilities	7,921	6,687	6,800	6,537	7,921
Controlling interest					
Capital stock	212	212	212	212	212
Additional paid-in capital	677	679	679	679	677
Retained earnings	1,850	2,034	2,034	2,034	1,850
Others	3,382	3,975	4,718	5,265	3,382
Total equity	6,122	6,900	7,643	8,190	8,601

Cash flow

(IDR bn)

FY-ending Dec. (IDR bn)	2020A	2021A	2022F	2023F	2024F
C/F from operating					
Net profit	695	966	1,237	1,060	834
Depreciation	326	344	366	377	382
Net incr. in W/C	(370)	(493)	401	60	(96)
C/F from investing					
CAPEX	(2,613)	(469)	(474)	(320)	(201)
Others	(2,142)	331	(732)	47	(27)
C/F from financing					
Incr. in equity	2,085	165	(5)	(5)	(5)
Incr. in debts	151	(786)	(283)	(281)	(234)
Dividends	(52)	(131)	(199)	(260)	(223)
Others	-	-	-	1	2
Increase in cash	425	125	472	727	413

Income statement

(IDR bn)

FY-ending Dec. (IDR bn)	2020A	2021A	2022F	2023F	2024F
Sales	6,699	7,124	8,534	7,429	7,404
COGS	(4,947)	(5,100)	(6,204)	(5,358)	(5,543)
Gross profit	1,752	2,025	2,330	2,070	1,861
SG&A expense	(719)	(731)	(807)	(847)	(890)
Operating profit	1,033	1,293	1,522	1,223	971
Financial income	-	-	-	1	2
Interest income	19	15	15	15	15
Financial expense	-	-	-	1	2
Interest expense	(319)	(442)	(400)	(278)	(254)
Other non-operating profit	(4)	21	22	23	23
Gains (Losses) in associates, subsidiaries and JV	(34)	78	78	78	78
Earnings before tax	695	966	1,237	1,060	834
Income taxes	(217)	(226)	(290)	(248)	(195)
Non-controlling interest	(2)	(12)	-	-	-
Net profit	477	727	947	812	639
EBITDA	1,377	1,603	1,963	1,746	1,777

Key financial data

FY-ending Dec.	2020A	2021A	2022F	2023F	2024F
per share data (IDR)					
EPS	45	69	89	77	60
BPS	578	651	721	773	811
DPS	5	12	19	25	21
Growth (%)					
Sales growth	16.8	6.4	19.8	-13.0	-0.3
OP growth	-4.5	1.7	10.4	4.9	5.0
NP growth	164.9	52.6	30.3	-14.3	-21.3
EBITDA growth	33.1	16.4	22.4	-11.1	1.8
Profitability (%)					
OP margin	15.4	18.2	17.8	16.5	13.1
NP margin	7.1	10.2	11.1	10.9	8.6
EBITDA margin	23.0	23.5	24.0	24.0	-
ROE	3.7	5.2	6.5	5.1	3.8
ROA	9.8	11.2	13.0	10.3	7.6
Dividend yield	0.8	1.8	2.8	3.7	3.1
Dividend payout ratio	29.1	27.4	27.4	27.4	27.4
Stability					
Net debt (IDR bn)	4,213	3,386	1,946	909	217
Int.-bearing debt/equity (%)	90	64	55	49	45
Valuation (X)					
PE	10.9	8.7	5.4	6.3	8.0
PB	0.8	0.9	0.7	0.6	0.6
EV/EBITDA	7.6	6.8	4.9	5.1	4.7

Astra Agro Lestari (AALI IJ)

Balance sheet

(IDR bn)

FY-ending Dec. (IDR bn)	2020A	2021A	2022F	2023F	2024F
Current assets					
Cash & cash equivalent	979	3,896	2,534	2,460	2,460
Accounts & other receivables	1,390	584	981	805	795
Inventories	2,166	3,023	2,648	2,188	2,158
Others	1,403	1,910	1,646	1,351	1,336
Non-current assets					
Fixed assets	16,248	16,287	15,814	15,877	15,919
Interest in JV	2,485	1,655	1,324	1,059	847
Intangible assets	1,493	1,495	1,569	1,648	1,730
Other non-current assets	1,616	1,549	1,593	1,545	1,573
Total assets	27,781	30,400	27,769	26,933	26,579
Current liabilities					
Accounts & other payables	770	1,027	917	758	758
ST debt & bond	0	0	0	0	0
Current portion of LT debt	81	368	223	183	181
Others	941	4,566	895	737	739
Non-current liabilities					
LT debt & financial liabilities	5,624	2,132	1,332	532	(268)
Other non-current liabilities	984	927	558	594	631
Total liabilities	8,533	9,229	4,135	3,013	2,250
Controlling interest					
Capital stock	962	962	962	962	962
Additional paid-in capital	3,879	3,879	3,879	3,879	3,879
Other reserves	-586	-225	-3	-3	-3
Retained earnings	14,497	16,003	19,204	19,583	20,393
Shareholders' equity	19,248	21,171	24,780	25,211	26,074

Cash flow

(IDR bn)

FY-ending Dec. (IDR bn)	2020A	2021A	2022F	2023F	2024F
C/F from operating					
Net profit	833	1,971	1,666	1,018	994
Depreciation	1,458	1,000	1,000	1,000	1,000
Net incr. in W/C	93	735	365	629	241
Others	-	-	-	-	-
C/F from investing	(999)	(786)	(1,262)	(1,451)	(1,580)
CAPEX	(1,004)	(1,265)	(1,306)	(1,400)	(1,476)
Others	(705)	479	44	(51)	(104)
C/F from financing	(768)	(451)	(5,189)	(1,324)	(1,324)
Incr. in equity	0	0	0	0	0
Incr. in debts	(66)	59	(4,442)	(800)	(800)
Dividends	(175)	(491)	(359)	(640)	(183)
Others	(526)	(19)	(388)	117	117
Increase in cash	555	2,738	(1,182)	(74)	(240)

Income statement

(IDR bn)

FY-ending Dec. (IDR bn)	2020A	2021A	2022F	2023F	2024F
Sales	18,807	24,322	24,165	19,828	19,614
COGS	(15,844)	(19,492)	(19,892)	(16,441)	(16,215)
Gross profit	2,963	4,830	4,273	3,387	3,399
SG&A expense	(1,121)	(1,400)	(1,340)	(1,374)	(1,373)
Operating profit	1,842	3,430	2,853	2,013	2,026
Financial income					
Interest income	51	63	63	63	64
Financial expense					
Interest expense	(418)	(394)	(394)	(300)	(299)
Other non-operating profit	33	65	0	0	1
Gains (Losses) in associates, subsidiaries and JV	(45)	(250)	(258)	(266)	(265)
Earnings before tax	1,463	2,913	2,331	1,510	1,474
Income taxes	(569)	(846)	(583)	(438)	(437)
Non-controlling interest	(61)	(96)	(82)	(53)	(52)
Net profit	894	2,067	1,748	1,072	1,037
EBITDA	2,788	4,430	3,853	3,013	2,985

Key financial data

FY-ending Dec.	2020A	2021A	2022F	2023F	2024F
per share data (IDR)					
EPS	433	1,024	866	529	517
BPS	10,109	10,475	10,849	10,850	10,851
DPS	113	228	407	116	114
Growth (%)					
Sales growth	38	63	(12)	(53)	(0)
OP growth	92	86	(17)	(66)	0
NP growth	295	137	(15)	(71)	0
EBITDA growth	15	59	(13)	(56)	(0)
Profitability (%)					
OP margin	10	14	12	10	10
NP margin	4	8	7	5	5
EBITDA margin	15	18	16	15	15
ROE	3	7	12	4	4
ROA	4	10	16	4	4
Dividend yield	10	28	21	37	10
Dividend payout ratio	18	18	18	18	18
Stability					
Net debt (IDR bn)	(2,374)	(1,144)	440	441	442
Int.-bearing debt/equity (%)	0	0	0	1	2
Valuation (X)					
PE	27	8	10	17	17
PB	1	1	1	1	1
EV/EBITDA	8	6	4	8	8

Sawit Sumbermas Sarana (SSMS IJ)

Balance sheet (IDR bn)					
FY-ending Dec. (IDR bn)	2020A	2021A	2022F	2023F	2024F
Current assets					
Cash & cash equivalent	1,908	1,833	2,360	2,222	2,790
Accounts & other receivables	611	668	871	603	617
Inventories	315	353	350	306	300
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	14,785	14,217	14,673
Current liabilities					
Accounts & other payables	748	653	485	461	423
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	4,840
Controlling interest					
Capital stock	953	953	953	953	953
Additional paid-in capital	541	541	541	541	541
Retained earnings	2,999	4,225	6,152	6,775	7,899
Others	355	357	357	357	357
Minority interest	23	33	53	67	83
Total equity	4,871	6,108	8,055	8,693	9,833

Cash flow (IDR bn)					
FY-ending Dec. (IDR bn)	2020A	2021A	2022F	2023F	2024F
C/F from operating					
Net profit	577	1,516	2,685	1,966	2,107
Depreciation	320	306	307	309	307
Net incr. in W/C	(1,186)	(1,357)	(375)	283	(55)
Others	-	-	-	-	-
C/F from investing	(209)	(175)	(508)	(186)	(179)
CAPEX	(209)	(176)	(508)	(186)	(179)
Others	-	-	-	-	-
C/F from financing	204	(363)	(1,582)	(2,511)	(1,612)
Incr. in equity	-	-	-	-	-
Incr. in debts	(22)	(84)	(844)	(1,183)	(645)
Dividends	-	(290)	(758)	(1,343)	(983)
Others	226	12	20	15	16
Increase in cash	(295)	(72)	527	-139	569

Income statement (IDR bn)					
FY-ending Dec. (IDR bn)	2020A	2021A	2022F	2023F	2024F
Sales	4,011	5,203	7,293	5,825	5,873
COGS	-2,214	-2,998	-3,191	-2,788	-2,740
Gross profit	1,797	2,205	4,102	3,036	3,133
SG&A expense	-688	-654	-775	-740	-737
Operating profit	1,109	1,552	3,326	2,297	2,396
Financial income					
Interest income	64	509	240	309	291
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	2,539	2,722
Income taxes	(319)	(347)	(763)	(559)	(599)
Non-controlling interest	4	11	20	15	16
Net profit	577	1,516	2,685	1,966	2,107
EBITDA	1,429	1,858	3,633	2,606	2,703

Key financial data

FY-ending Dec.	2020A	2021A	2022F	2023F	2024F
per share data (IDR)					
EPS	60.5	159.1	281.9	206.4	221.2
BPS	511.4	641.2	845.7	912.7	1,032.3
DPS	-	30.5	79.6	141.0	103.2
Growth (%)					
Sales growth	22.4	29.7	40.2	(20.1)	0.8
OP growth	174.7	39.9	114.4	(31.0)	4.3
NP growth	4,845.6	162.8	77.2	(26.8)	7.2
EBITDA growth	103.7	30.0	95.6	(28.3)	3.7
Profitability (%)					
OP margin	27.7	29.8	45.6	39.4	40.8
NP margin	14.4	29.1	36.8	33.7	35.9
EBITDA margin	35.6	35.7	49.8	44.7	46.0
ROE	4.7	11.4	18.8	13.6	14.6
ROA	13.0	27.8	38.2	23.6	22.9
Dividend yield	-	3.1	8.1	14.4	10.5
Dividend payout ratio	-	50.4	50.0	50.0	50.0
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	4.5	6.2	5.7
EV/EBITDA	8.8	7.4	4.2	5.4	4.8
PB	1.7	1.5	1.5	1.4	1.2

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