

TRIM Company Update

AAI: Wrapping Up 7M11 Operational Results

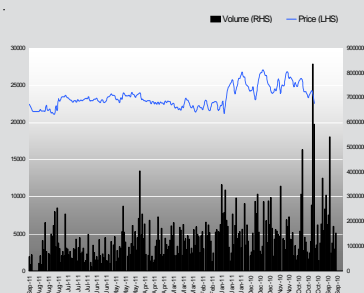
Maintained

HOLD

Share Price : Rp22,500
Sector : CPO
Price Target : Rp25,700 (14.2%)

Stock Data

Reuters Code : AALI.JK
Bloomberg Code : AALI.IJ
Issued Shares (mn) : 1,574.7
Mkt Cap (Rpbn) : 35,430
Average Daily T/O : 4.4m
52-Wk range : Rp18,250/Rp27,750



Company Description:

PT Astra Agro Lestari Tbk is one of the leading upstream palm oil producers, manages plantation area of more than 260,000 hectares, including both nucleus and plasma (smallholders) plantation in Sumatera, Kalimantan and Sulawesi with the average age was 14 years.

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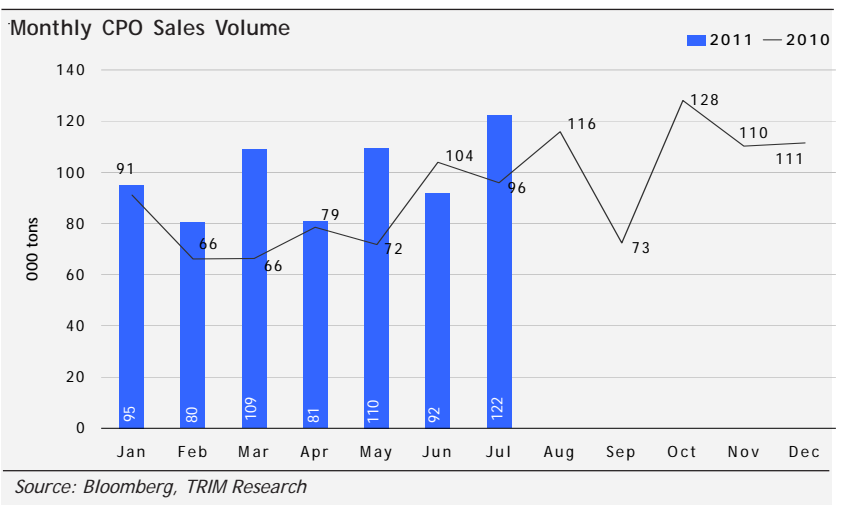
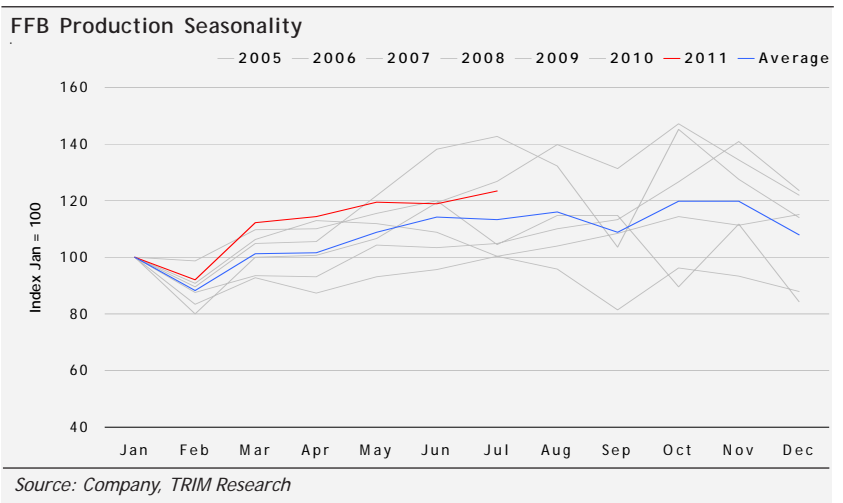
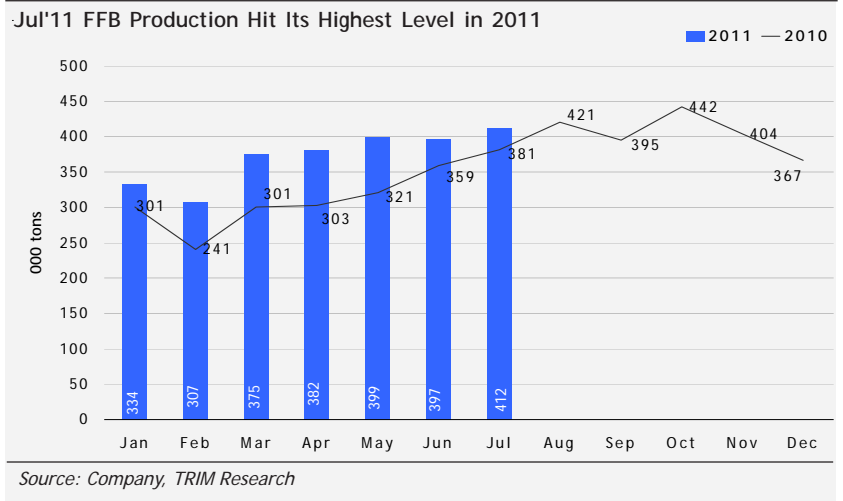
Still a Strong Growth But Tends to Abate in 2H11. AALI managed to harvest 2.6mn tons of FFB in 7M11, up 18.1% YoY and making up 57.2% of our 2011 estimate. Jul'11 FFB production itself reached 412.0k tons, the highest monthly production this year. However, we estimate the production to be normalized in upcoming months after experiencing a high production growth in 1H11. Ramadhan season in Aug'11 should bring a lower MoM production. On the other hand, FFB purchased from 3rd parties remains strong with an increase of 98.1% YoY to reach 561.6k tons in 7M11. OER slightly declined to 22.6%, causing CPO production to reach 705.1k tons, up 24.1% YoY and represented 59.9% of our 2011 estimate.

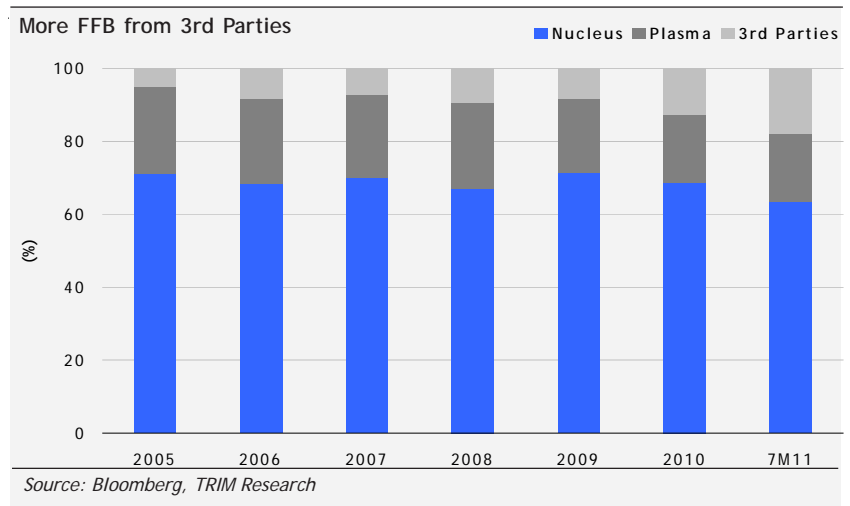
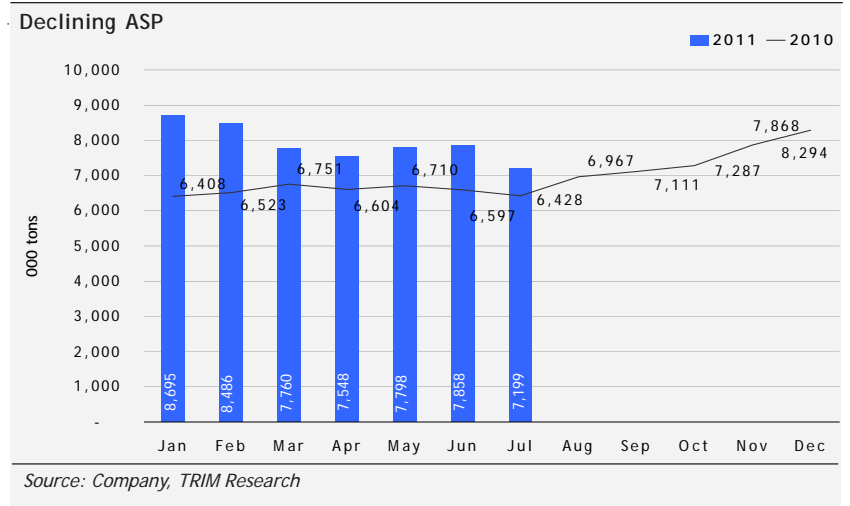
Strong Sales Volume With Soften ASP. On the back of encouraging production, CPO sales managed to hit its highest level this year. This has brought 7M11 CPO sales volume to reach 688.9k tons, up 20.1% YoY and making up 58.5% of our 2011 estimate. Domestic market still becomes the major contributor so far, as it represents 95.7% of total sales volume. In contrast, ASP reached the lowest level this year in Jul'11, in line with global CPO price movement. Jul'11 ASP reached Rp7,199/kg, 17.2% declined compared with Jan'11 reading. 7M11 ASP was at Rp7,868/kg and we believe the price will continue to decline through the rest of the year on the back of stronger global output.

Maintain HOLD, TP Rp25,700. Our target price is derived from 15.0x 2012est PE, in line with other plantation companies among our coverage, and 12.0% higher than its 5-year average forward PE at 13.4x. As the 2nd largest listed plantation company, AALI usually deserve a premium in the middle of bullish CPO price. As we foresee a muted CPO price ahead, we believe that market will concern more on its production growth.

Financial Summary

Year end 31 Dec	2009	2010	2011E	2012F	2013F
Revenue (Rpbn)	7,424	8,844	10,139	9,807	9,258
Revenue Growth (%)	(9.0)	19.1	14.6	(3.3)	(5.6)
EBITDA (Rpbn)	2,905	3,342	4,080	4,092	3,368
EBITDA Growth (%)	(19.8)	15.0	22.1	0.3	(17.7)
Net Profit (Rpbn)	1,661	2,017	2,689	2,706	2,241
EPS Growth (%)	(36.9)	21.4	33.3	0.6	(17.2)
ROAE (%)	29.2	30.0	34.0	29.8	22.9
DPS (Rp)	375	655	833	1,110	1,117
Div Yield (%)	1.7	2.9	3.7	4.9	5.0
P/E (x)	21.3	17.6	13.2	13.1	15.8
P/BV (x)	5.7	4.9	4.1	3.7	3.5
EV/EBITDA (x)	11.9	10.2	8.2	8.0	9.7





Income Statement (Rpbn)

Year end 31 Dec	2009	2010	2011E	2012F	2013F
Revenue	7,424	8,844	10,139	9,807	9,258
% growth	(9.0)	19.1	14.6	(3.3)	(5.6)
Gross Profit	3,102	3,609	4,235	4,230	3,545
Opr Profit	2,610	2,999	3,650	3,648	2,988
EBITDA	2,905	3,342	4,080	4,092	3,368
% growth	(19.8)	15.0	22.1	0.3	(17.7)
Net int inc/(exp)	27	31	46	65	78
Gain/(loss) forex	(111)	(28)	-	-	-
Other inc/(exp)	(26)	(38)	-	-	-
Pre-tax Profit	2,500	2,964	3,696	3,714	3,067
Tax	(771)	(860)	(912)	(912)	(747)
Minority Int.	(69)	(87)	(95)	(96)	(79)
Extra. Items	-	-	-	-	-
Net Profit	1,661	2,017	2,689	2,706	2,241
% growth	(36.9)	21.4	33.3	0.6	(17.2)

Balance Sheet (Rpbn)

Year end 31 Dec	2009	2010	2011E	2012F	2013F
Cash and Deposits	789	1,241	1,829	2,527	2,700
Other Current Assets	926	810	1,229	1,169	1,167
Net Fixed Assets	2,445	2,687	3,035	3,356	3,708
Other Assets	3,412	4,054	4,232	4,284	4,229
Total Assets	7,571	8,792	10,325	11,336	11,804
ST Debt	-	-	-	-	-
Other Current Liabilities	939	1,062	1,165	1,129	1,052
LT Debt	-	-	-	-	-
Other LT Liab	206	273	230	224	208
Minority interest	200	246	341	436	515
Total Liabilities	1,145	1,335	1,395	1,353	1,259
Shareholder's Equity	6,226	7,212	8,589	9,548	10,030
Net debt/(cash)	(789)	(1,241)	(1,829)	(2,527)	(2,700)
Net Working Capital	775	989	1,892	2,568	2,815

Interim Results (Rpbn)

	2Q10	3Q10	4Q10	1Q11	2Q11
Sales	414	397	450	468	502
Gross Profit	150	139	119	152	189
Operating Profit	106	99	65	117	151
Net Profit	67	52	18	95	110
Gross Margins (%)	36.1	35.1	26.4	32.5	37.6
Opr Margins (%)	25.6	24.9	14.4	25.1	30.1
Net Margins (%)	16.2	13.0	4.1	20.3	21.9

Cash Flow (Rpbn)

Year end 31 Dec	2009	2010	2011E	2012F	2013F
Net Profit	1,661	2,017	2,689	2,706	2,241
Depr/Amort	295	343	430	443	379
Chg in Opr Ass&Liab	(37)	235	(414)	23	(2)
Others	(26)	39	(88)	0	20
CF's from Oprs	1,893	2,634	2,616	3,172	2,638
Capex	(1,407)	(1,198)	(812)	(821)	(786)
Others	25	48	95	96	79
CF's from investing	(1,382)	(1,150)	(717)	(726)	(706)
Net change in debt	-	-	-	-	-
Others	(591)	(1,031)	(1,311)	(1,748)	(1,759)
CF's from financing	(591)	(1,031)	(1,311)	(1,748)	(1,759)
Net cash flow	(79)	452	588	699	173
Cash at BoY	868	789	1,241	1,829	2,527
Cash at EoY	789	1,241	1,829	2,527	2,700
Free Cashflow	485	1,485	1,804	2,351	1,852

Key Ratio Analysis

Year end 31 Dec	2009	2010	2011E	2012F	2013F
Profitability					
Gross Margins (%)	41.8	40.8	41.8	43.1	38.3
Op Margins (%)	35.2	33.9	36.0	37.2	32.3
EBITDA Margins (%)	39.1	37.8	40.2	41.7	36.4
Net Margins (%)	22.4	22.8	26.5	27.6	24.2
ROE (%)	29.2	30.0	34.0	29.8	22.9
ROA (%)	23.6	24.7	28.1	25.0	19.4
Stability					
Current ratio (x)	1.8	1.9	2.6	3.3	3.7
Net Debt/Equity (x)	(0.1)	(0.2)	(0.2)	(0.3)	(0.3)
Int Coverage (x)	85.3	363.1			
Efficiency					
A/P days	19.8	20.0	20.0	20.0	20.0
A/R days	7.6	5.0	5.0	5.0	5.0
Inventory days	50.8	55.0	55.0	55.0	55.0

Key Assumptions

Year end 31 Dec	2010	2011E	2012F	2013F
Total Planted Area (000 ha)	263.3	263.2	266.2	269.2
Total Matured Area (000 ha)	203.5	234.8	247.4	251.7
Total Immatured Area (000 ha)	59.7	28.4	18.8	17.5
FFB Production (000 tons)	4,235.1	4,551.9	4,639.1	4,665.8
FFB Yield (ton/ha)	20.4	19.4	18.8	18.5
OER (%)	22.9	22.5	22.8	22.8
CPO Production (000 tons)	1,113.3	1,177.8	1,186.6	1,198.2

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