

Nusantara Sawit Sejahtera

(NSSS IJ)

Cultivating the youth

Trading Buy
(Initiation)

TP: IDR164
Upside: 13.1%

Mirae Asset Sekuritas Indonesia

Rizkia Darmawan rizkia.darmawan@miraeasset.co.id

Jennifer A. Harjono jennifer.harjono@miraeasset.co.id

Investment thesis Revenue growth from higher FFB production and milling capacity

- Considering the milder climate in 1Q23 (vs. FY22), we expect NSSS to have relatively better FFB yields within the next 5-6 months, reaching c.14 tons/ha in FY23F, which translates into approximately 375k tons of FFB produced.
- To address its unprocessed FFB sales, the company is currently preparing for the commissioning of a second CPO mill with a capacity of 60tph. This new mill is expected to be fully operational by 4Q23. Together with the existing mill, this should provide the company with a combined capacity of 120tph.
- Due to NSSS' focus on supplying domestic demands, we believe the company is relatively insulated compared to having exposure to the export market. We anticipate a stable domestic CPO price of ~IDR11,000/kg in 2023 on the back of strong domestic demand.

Young plantation profile for sustainable top line

- As of 1Q23, NSSS' average plantation age profile was 8 years. Its prime mature plantation contributed 85.2% of the total, while young mature at 11.7% and immature at 3.1%. Hence, NSSS has a comparative advantage compared to peers, as it has a lower-than-industry average age plantation profile of 15 years.
- Furthermore, NSSS has set an ambitious target to expand its total planted area to approximately 46,000 hectares by 2026. Meanwhile, our FY23F projection portrays a more conservative view by estimating a planting area of approximately 1,200 hectares for the year as the company only achieved 37 hectares in 1Q23.

Lower-fertilizer-prices-driven costs control

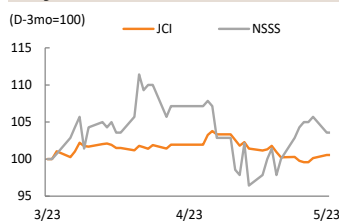
- The decline in fertilizer prices is expected to alleviate cost pressures for NSSS, as fertilizer accounts for around 50% of its costs. It is worth noting that the company's fertilizer tender will take place in the middle of the year, which will offer greater insight into the price outlook for the rest of the year. Additionally, we commend the company's efforts in enhancing the efficiency of its fertilization process as it indicates a more consistent fertilization period while maintaining a high FFB yield.

Investment recommendation

Initiate with TP of IDR164/share

- We initiate our coverage of NSSS with a Trading Buy recommendation and TP of IDR164/share, implying EV/HA of IDR133mn. Although pressures may persist until the release of 2Q23 results, we anticipate that NSSS' performance will begin to show improvement starting from 2H23, driven by its top-line growth. This will be further complemented by better production in the coming years thanks to: 1) Plantation coming to fruition; 2) Efficient cost management through a robust fertilization period; and 3) Higher CPO production once the second mill becomes operational.

Key data



Share Price (5/22/23, IDR)	145	Market Cap (IDRbn)	3,449
Consensus NP (23F, IDRbn)	266	Shares Outstanding (mn)	23,788
NP Mirae Asset vs. consensus (23F, %)	-35.0	Free Float (%)	30.0
EPS Growth (23F, %)	N/A	Beta (Adjusted, 24M)	N/A
P/E (23F, x)	22.6	52-Week Low (IDR)	126
Industry P/E (23F, x)	13.4	52-Week High (IDR)	164
Benchmark P/E (23F, x)	13.7		

Share performance

(%)	1M	6M	12M
Absolute	-3.3	N/A	N/A
Relative	-2.0	N/A	N/A

Earnings and valuation metrics

(FY Dec. 31)	2020	2021	2022	2023F	2024F
Net revenue (IDRbn)	747	1,147	1,134	978	1,216
Gross profit (IDRbn)	223	571	406	502	602
Op. profit (loss) (IDRbn)	164	505	326	424	515
Net profit (loss) (IDRbn)	19	245	70	173	236
EPS (IDR)	N/A	N/A	N/A	7.27	9.94
BPS (IDR)	N/A	N/A	N/A	44.4	54.3
EV/HA (IDRmn)	N/A	N/A	N/A	118	107
P/B (x)	N/A	N/A	N/A	3.3	2.7
ROE (%)	6.2	43.9	11.1	16.4	18.3
ROA (%)	13.6	61.7	21.2	19.9	20.5

Note: Net profit refers to net profit attributable to controlling interests

Source: Company data, Mirae Asset Sekuritas Indonesia Research

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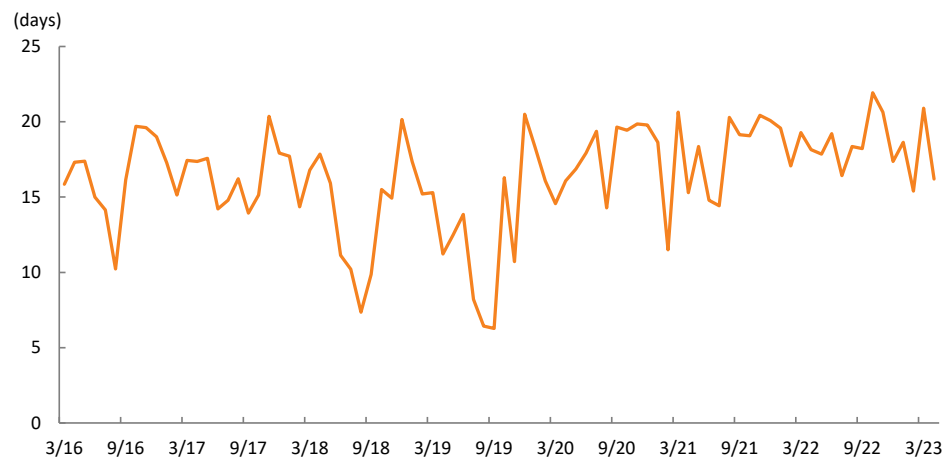
Investment thesis

Revenue growth coming from higher FFB production and milling capacity

Expecting FFB production to turn around in 2H23 and more milling capacity

We see a light at the end of the tunnel for improved FFB production in 2H23 as we anticipate a more favorable climate for CPO starting from the second quarter this year compared to the last quarter last year. Considering the milder climate observed in 1Q23 compared to FY22's, we expect the company to have relatively better FFB yields within the next 5-6 months, reaching c.14 tons/ha in FY23F, which translates to approximately 375k tons of FFB produced.

Figure 1. Declining trend of rainy days in 1Q23 ; expecting better FFB yield in 2H23



Source: Custom Weather, Mirae Asset Sekuritas Indonesia Research

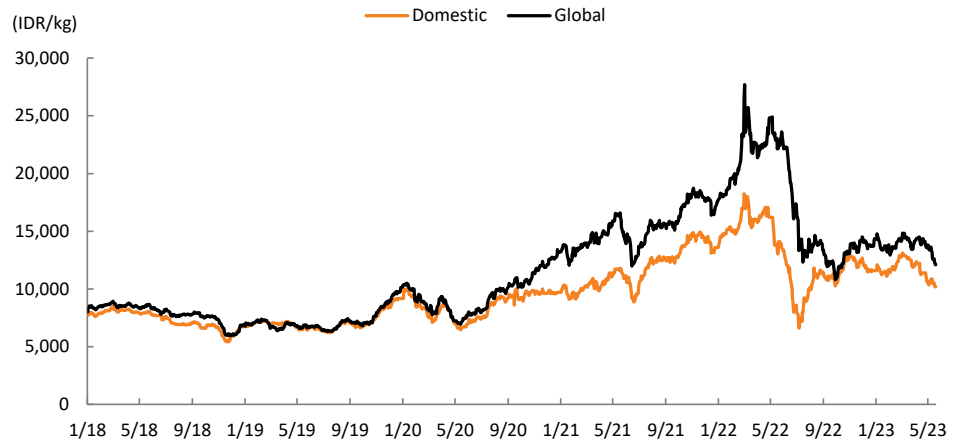
As of 2022, NSSS had to sell approximately 23,000 tons of unprocessed FFB, (c.6% of the total FFB production in FY22) due to limited mill capacity. Thus, the company was forced to sell the FFBs at a lower average selling price (ASP). To address this issue, the company is currently preparing for the commissioning of a second CPO mill, which is expected to be fully operational by 4Q23. This new mill will have a capacity of 60 tons per hour (tph), resulting in a combined capacity of 120tph including the first mill. This expansion aligns with the company's ambitious target to nearly double its current planted area to approximately 46,000ha by 2026.

Furthermore, the addition of the new mill capacity will enable NSSS to process its FFBs more efficiently. The company aims to maximize the utilization of the mills to take advantage of economies of scale. With proper timing, this optimization should lead to improved oil extraction rates (OER) and oil quality for NSSS. Consequently, we expect that the company's enhanced operational performance will serve as the primary catalyst for its future growth and success.

Foreseeing stable ASP

Due to NSSS' focus on supplying domestic demands, we believe the company is relatively insulated compared to having exposure to the export market. We anticipate a stable domestic CPO price of ~IDR11,000/kg in 2023. We find this expectation reasonable, given our assessment of sustained strong domestic demand, with CPO cooking oil being the primary source for domestic edible oil consumption. In particular, during 2H23, we anticipate increased cooking oil consumption due to the Eid festivities, which will further strengthen the domestic market.

Figure 2. Domestic vs. global CPO prices

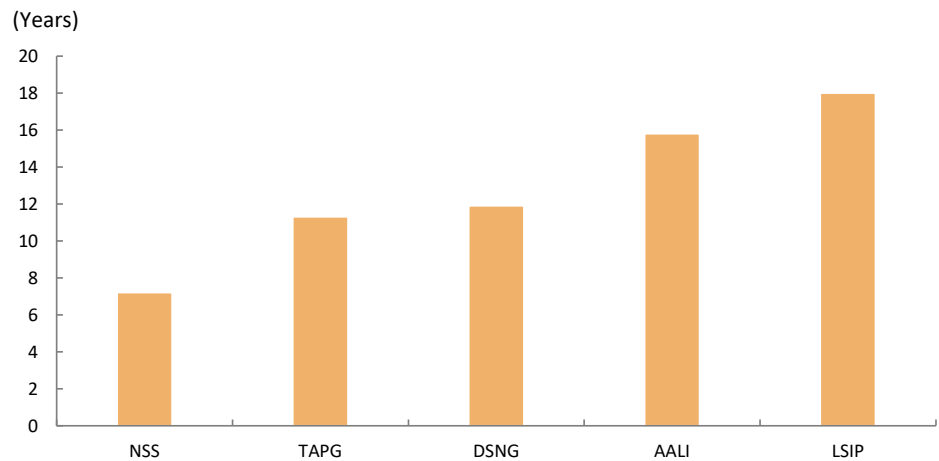


Source: KPBN, Malaysian Palm Oil Board, Mirae Asset Sekuritas Indonesia Research

Young plantation profile for sustainable top line

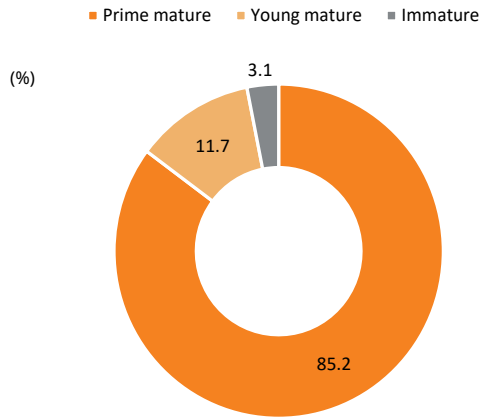
As of 1Q23, NSSS’ average plantation age profile stood at 8 years. Its prime mature (7-20 years) plantation contributed 85.2% of the total, while young mature (4-6 years) at 11.7% and immature (0-3 years) at 3.1%. We believe this should ensure the company’s financial performance in the next 10 years as the current plantation matures. Furthermore, ~1,300ha of immature planted area is expected to mature in FY23F. Therefore, NSS has a comparative advantage compared to peers, as it has a lower-than- industry average age plantation profile of 15 years.

Figure 3. Age plantation profile compared to peers



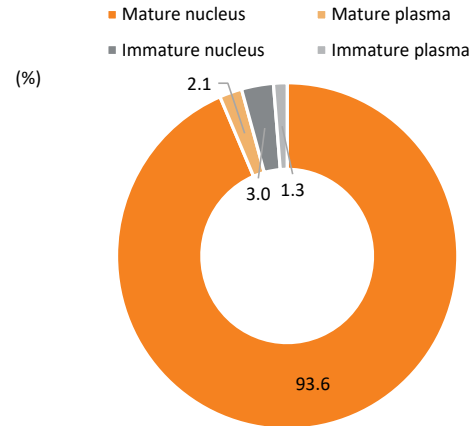
Source: Company data, Mirae Asset Sekuritas Indonesia Research

Figure 4. NSSS plantation age profile



Source: Company data, Mirae Asset Sekuritas Indonesia Research

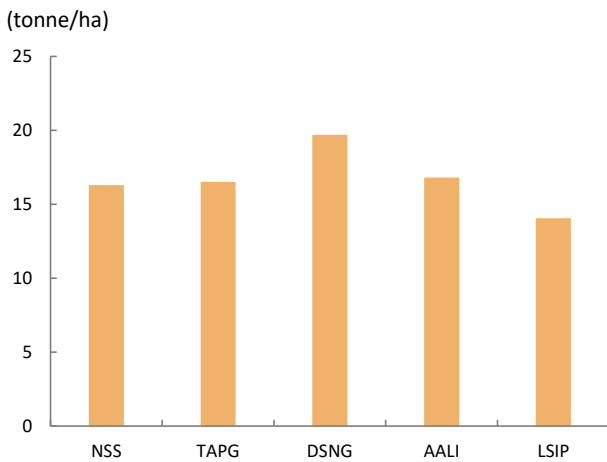
Figure 5. NSSS plantation mix based on area



Source: Company data, Mirae Asset Sekuritas Indonesia Research

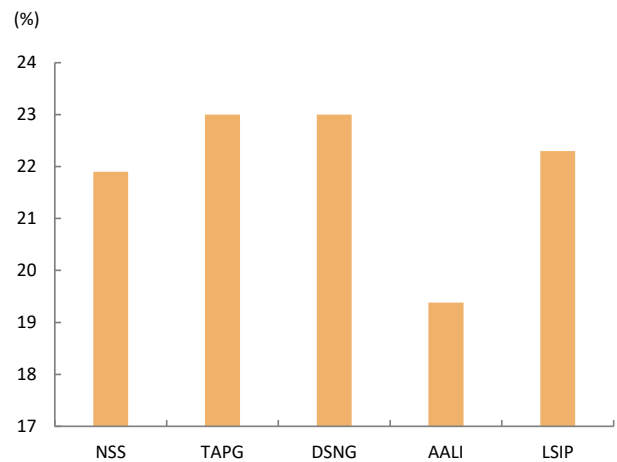
In terms of productivity, NSSS' FFB yield and OER are comparable to the industry average of approximately 16tons/ha and 22%, respectively. We anticipate that both NSSS' FFB yield and OER will improve as its plantations reach the prime age level and with the addition of the second mill. These factors are expected to positively impact productivity and efficiency in FFB production and oil extraction for NSSS.

Figure 6. FFB yield compared to peers



Source: Company data, Mirae Asset Sekuritas Indonesia Research

Figure 7. Oil extraction rate compared to peers



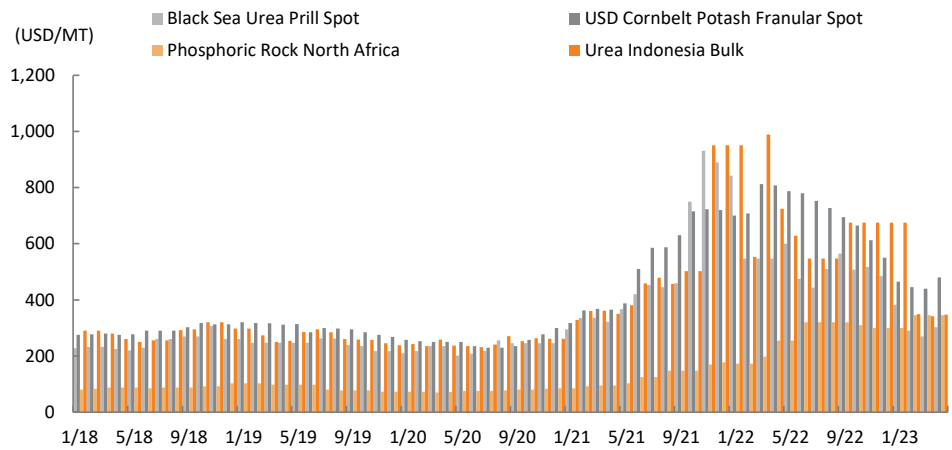
Source: Company data, Mirae Asset Sekuritas Indonesia Research

Furthermore, NSSS has set an ambitious target of expanding its total planted area to approximately 46,000 hectares by 2026. This expansion plan includes an annual target planting area of around 2,500 hectares. However, it is important to note that the achievement of this target is subject to various internal and external conditions that may impact the company. Our FY23F projection portrays a more conservative view, estimating a planting area of approximately 1,200 hectares for the year. This estimation is based on NSSS' performance in the first quarter of 2023, where only 37 hectares were planted. It is crucial to understand that expanding the planted area is a long-term endeavor, and the results of these efforts are expected to become evident after a span of four years. Nonetheless, we believe that this expansion strategy remains important for NSSS as it aims to fuel its future growth.

Lower-fertilizer-prices-driven costs control

Following the observation of high fertilizer prices in FY22, there is currently a trend of softer fertilizer prices. We expect this trend to continue until the end of FY23F. The decline in fertilizer prices is expected to alleviate cost pressures for NSSS, as fertilizer accounts for approximately 50% of its costs. It is important to note that the company will hold its fertilizer tender in the middle of the year, which will provide more clarity on the price outlook for the remainder of the year. Additionally, NSSS applies a constant rate of fertilization to its plants, resulting in relatively stable fertilizer costs throughout the quarters. We believe that this stability will contribute positively to our bottom-line projections for NSSS.

Figure 8. Softening fertilizer prices to elevate cost pressures



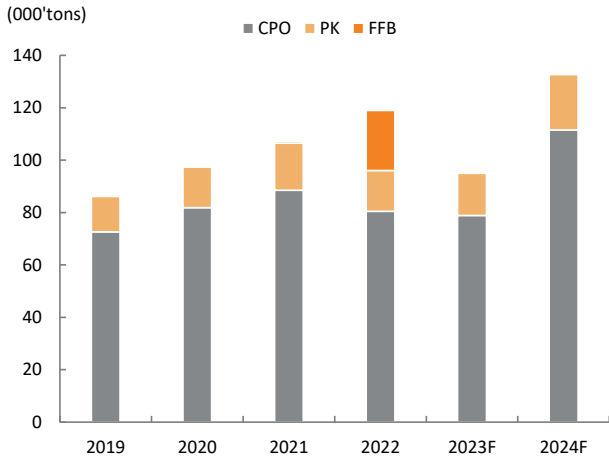
Source: Green Markets, Mirae Asset Sekuritas Indonesia Research

Our take on NSSS

Although pressures may persist until the release of 2Q23 results, we anticipate that NSSS' performance will begin to show improvement starting from 2H23. This improvement is expected to be driven by top-line growth, which will be further complemented by cost efficiency once the second mill becomes operational and better costs for fertilizer.

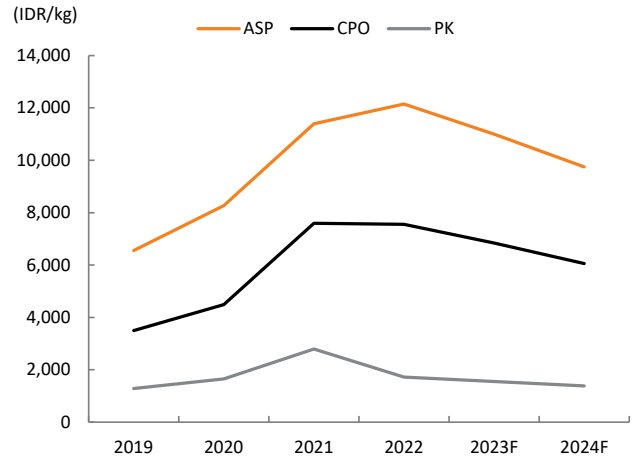
It is important to note that NSSS has a relatively young plantation profile, and as such, it is considered a long-term investment. We are eagerly awaiting the maturity of the planted area, as it will start yielding positive results for the company. In this regard, we hold a positive outlook on NSSS due to its comparatively youthful plantation age profile, which is among the youngest among CPO players in the country. This bodes well for the company's long-term prospects.

Figure 9. Sales volume trajectory



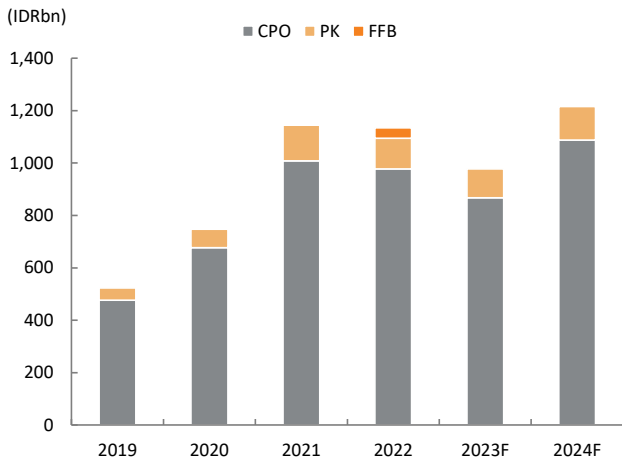
Source: Company data, Mirae Asset Sekuritas Indonesia Research

Figure 10. ASP trajectory



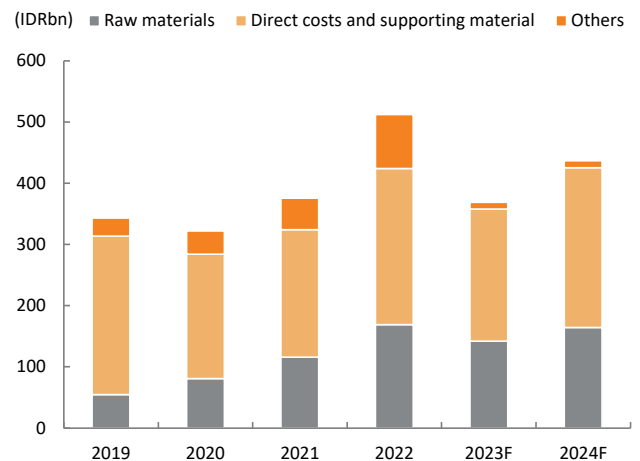
Source: Company data, Mirae Asset Sekuritas Indonesia Research

Figure 11. Revenue trajectory



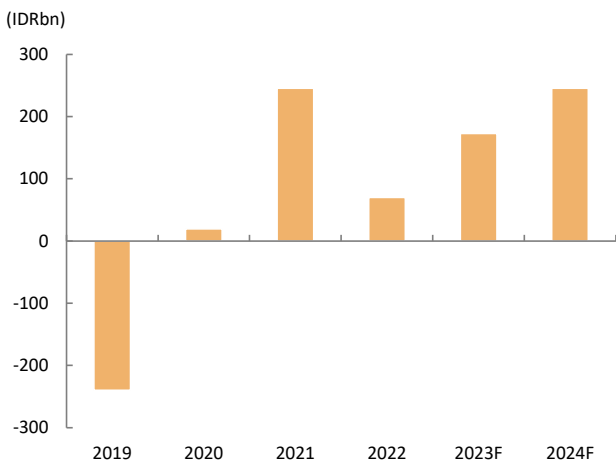
Source: Company data, Mirae Asset Sekuritas Indonesia Research

Figure 12. Cost of revenue trajectory



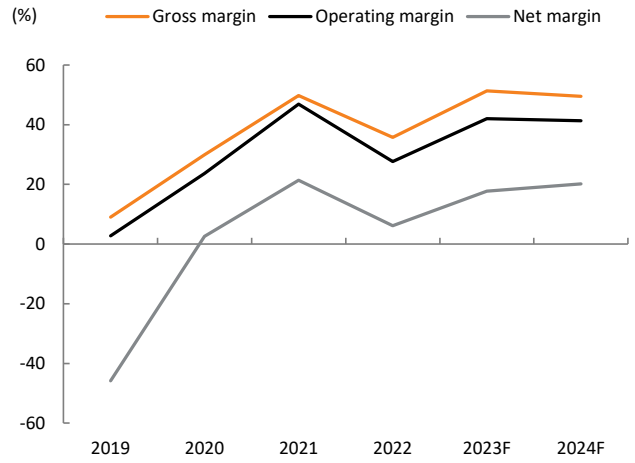
Source: Company data, Mirae Asset Sekuritas Indonesia Research

Figure 13. Net profit trajectory



Source: Company data, Mirae Asset Sekuritas Indonesia Research

Figure 14. Margins trajectory



Source: Company data, Mirae Asset Sekuritas Indonesia Research

Financial performances

Weak earnings 1Q23 due to extreme weather conditions and lower ASP

In 1Q23, NSSS recorded a net loss of IDR61bn, primarily attributed to the decline in revenue resulting from lower FFB yields and production, leading to a decline in sales volume. The company experienced a significant decrease in ASP following the decline in commodity prices. Additionally, higher cost of revenue, driven by bulk purchases of fertilizers and operational costs such as IPO fees, further contributed to the company's bottom line.

NSSS' 1Q23 revenue amounted to IDR243bn (-9.9% QoQ; -15.3% YoY). The drop was primarily due to a reduction in production volume caused by significant rainfall from the last quarter, resulting in a decrease in sales volume as well. Note that FFB yield in 1Q23 stood at 3.5ton/ha (vs. 4Q22 of 4.2ton/ha vs. 1Q22 of 3.3ton/ha).

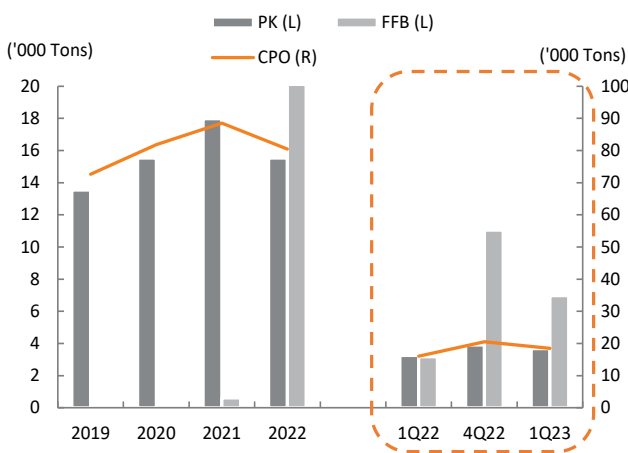
The adverse weather conditions also posed challenges in FFB transporting and processing, resulting in increased levels of FFA and lower extraction rate of CPO and PK, falling to 21.5% (vs. 4Q22 of 22.2% vs. 1Q22 of 22.1%) and 4.4% (vs. 4Q22 of 4.1% vs. 1Q22 of 4.2%), respectively. Overall, CPO sales volume reached 18,502 tons (-9.8% QoQ, +15.6% YoY), PK sales volume amounted to 3,683 tons (-5.9% QoQ, +13.0% YoY), and FFB sales volume totaled 6,971 tons (-36.9% QoQ, +119.6% YoY).

Furthermore, the normalization of ASP for CPO, PK, and FFB also affected the company's top line. As of 1Q23, the prices stood at IDR11.4k/kg (+0.6% QoQ, -23.9% YoY), IDR5.4k/kg (+2.6% QoQ, -55.7% YoY), and IDR1.9k/kg (+19.0% QoQ, -28.1% YoY decrease), respectively.

On the costing side, the company's cost of revenue has increased to IDR212bn (+1.0% QoQ; 73.7% YoY), primarily driven by higher raw material costs, particularly in fertilizers, which amounted to IDR52bn (+51.9% YoY). The hike can be attributed to the large inventory of fertilizers bulk purchase in FY22 when fertilizer prices were elevated. Per our recent discussion with the management, a new rate for fertilizers will be implemented starting 2H23, with a new tender process in place. Additionally, it is important to note that a significant portion of its operating expenses increased as a result of IPO fees.

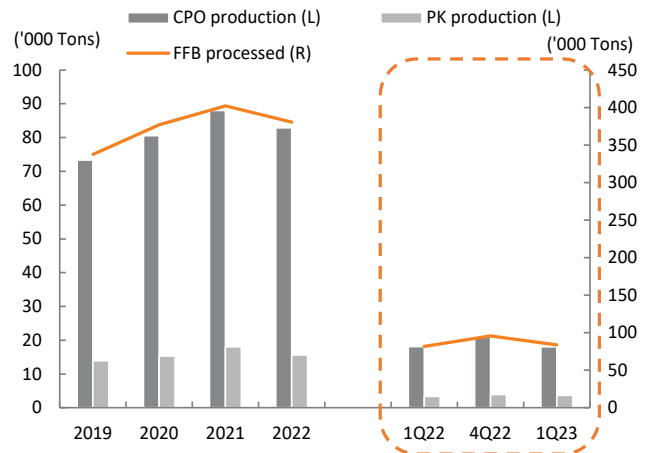
Looking ahead, we expect improvements in production and sales volume to be visible starting from 2H23, indicating a turnaround in NSSS' revenue. This positive outlook is mainly attributed to more favorable weather conditions, which are expected to result in better FFB yield and processing capabilities.

Figure 15. NSSS sales volume



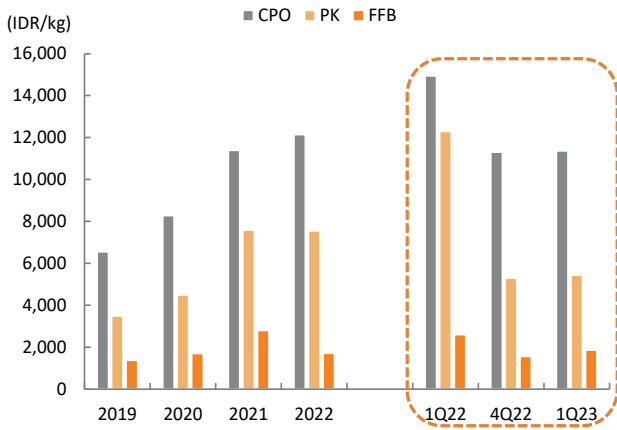
Source: Company data, Mirae Asset Sekuritas Indonesia Research

Figure 16. NSSS production



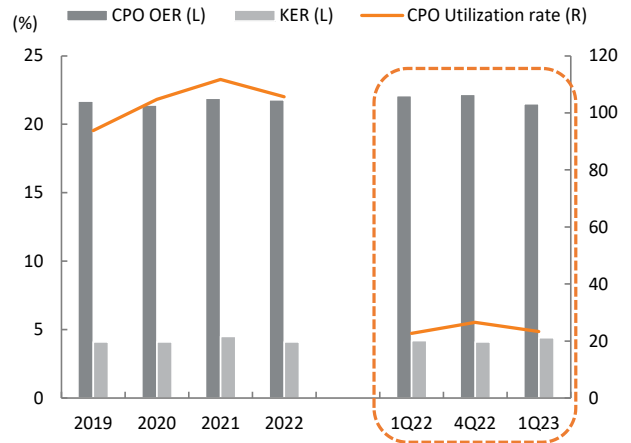
Source: Company data, Mirae Asset Sekuritas Indonesia Research

Figure 17. NSSS ASP trend



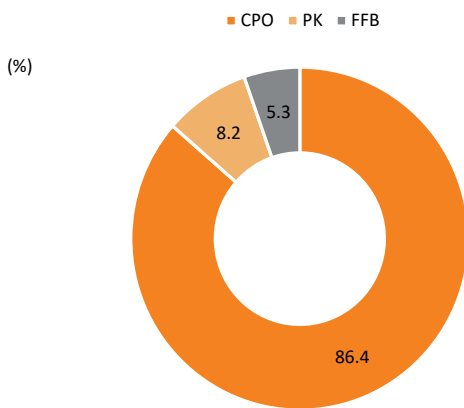
Source: Company data, Mirae Asset Sekuritas Indonesia Research

Figure 18. NSSS CPO and PK extraction rate



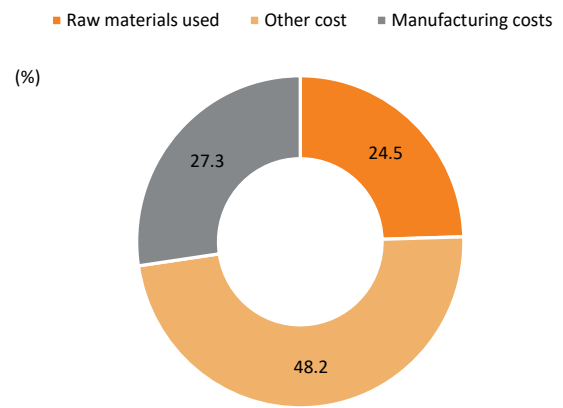
Source: Company data, Mirae Asset Sekuritas Indonesia Research

Figure 19. 1Q23 NSSS revenue contribution



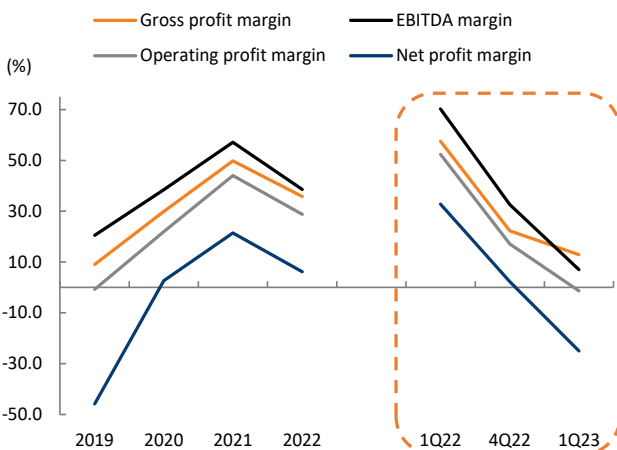
Source: Company data, Mirae Asset Sekuritas Indonesia Research

Figure 20. 1Q23 NSSS cost of revenue breakdown



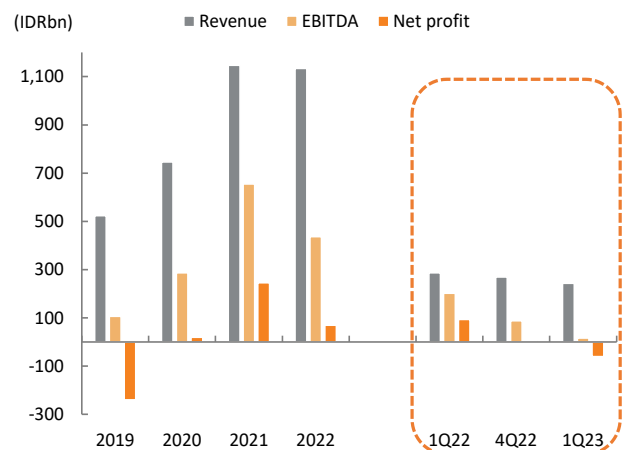
Source: Company data, Mirae Asset Sekuritas Indonesia Research

Figure 21. NSSS margins trajectory



Source: Company data, Mirae Asset Sekuritas Indonesia Research

Figure 22. NSSS earnings trajectory



Source: Company data, Mirae Asset Sekuritas Indonesia Research

Table 1. Key financial highlights

(IDRbn)

	2019	2020	2021	2022	YoY (%)	1Q22	4Q22	1Q23	QoQ (%)	YoY (%)
Revenue	523	747	1,147	1,134	-1.1	287	270	243	-9.9	-15.3
COGS	-476	-523	-576	-728	26.4	-122	-210	-212	1.0	73.7
Gross profit	47	223	571	406	-28.9	165	60	31	-48.0	-81.1
Opex	-51	-60	-65	-80	21.9	-15	-14	-35	146.8	134.3
EBITDA	107	287	655	437	-33.3	202	88	17	-80.7	-91.6
Operating profit	-4	164	505	326	-35.5	151	46	-3	NM	NM
Finance income/costs	-189	-201	-204	-189	-7.1	-45	N/A	-39	N/A	-13.6
Other income	19	13	33	-13	-139.1	19	N/A	-12	N/A	NM
Profit before income tax	-175	-24	334	124	-62.9	124	N/A	-54	N/A	NM
Income tax expenses	-66	44	-89	-54	-39.6	-30	N/A	-7	N/A	-78.3
Net profit	-240	19	245	70	-71.4	94	6	-61	NM	NM
Margin (%)										
Gross profit margin (%)	9.0	29.9	49.8	35.8	-14.0	57.5	22.2	12.8	-9.4	-44.7
EBITDA margin (%)	20.4	38.4	57.1	38.5	-18.6	70.3	32.6	7.0	-25.6	-63.3
Operating profit margin (%)	-0.8	21.9	44.1	28.7	-15.3	52.4	17.0	-1.4	-18.4	-53.8
Net profit margin (%)	-45.9	2.6	21.4	6.2	-15.2	32.8	2.2	-25.0	-27.3	-57.8
Operational data										
FFB yield (tons/ha)	15.1	15.4	16.1	15.7	-0.4	3.3	4.2	3.5	-0.7	0.2
FFB processed ('000 tons)	337.6	376.9	402.0	380.5	-5.3	81.8	95.6	84.0	-12.2	2.7
CPO production ('000 tons)	73.4	80.6	88.0	82.9	-5.9	18.1	21.2	18.1	-14.8	-0.2
PK production ('000 tons)	13.9	15.3	18.1	15.6	-13.6	3.4	3.9	3.7	-5.6	8.8
OER (%)	21.7	21.4	21.9	21.8	-0.1	22.1	22.2	21.5	-0.7	-0.6
KER (%)	4.1	4.1	4.5	4.1	-0.4	4.2	4.1	4.4	0.3	0.2
CPO Utilization rate (%)	93.8	104.7	111.7	105.7	-6.0	22.7	26.6	23.3	-3.3	0.6
CPO sales volume ('000 tons)	72.6	81.8	88.5	80.5	-9.1	16.0	20.5	18.5	-9.8	15.6
PK sales volume ('000 tons)	13.5	15.5	18.0	15.5	-13.5	3.3	3.9	3.7	-5.9	13.0
FFB sales volume ('000 tons)	0.0	0.0	0.6	22.9	3,592.4	3.2	11.0	7.0	-36.9	119.6
CPO ASP (IDR/kg)	6,557	8,273	11,390	12,146	6.6	14,942	11,301	11,366	0.6	-23.9
PK ASP (IDR/kg)	3,493	4,490	7,593	7,551	-0.6	12,289	5,301	5,440	2.6	-55.7
FFB ASP (IDR/kg)	1,375	1,704	2,797	1,719	-38.5	2,596	1,569	1,867	19.0	-28.1

Source: Company data, Mirae Asset Sekuritas Indonesia Research

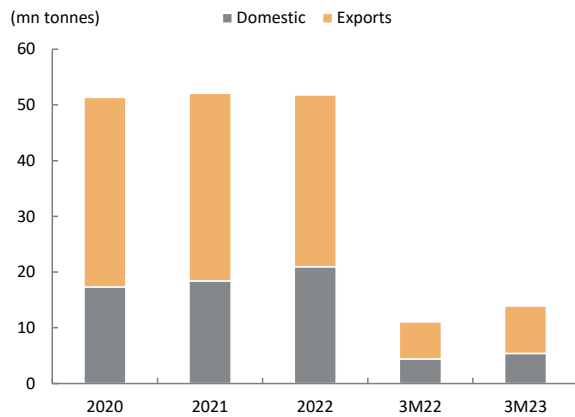
Industry outlook

Strong and stable domestic CPO consumption

Demand should prop up domestic CPO prices

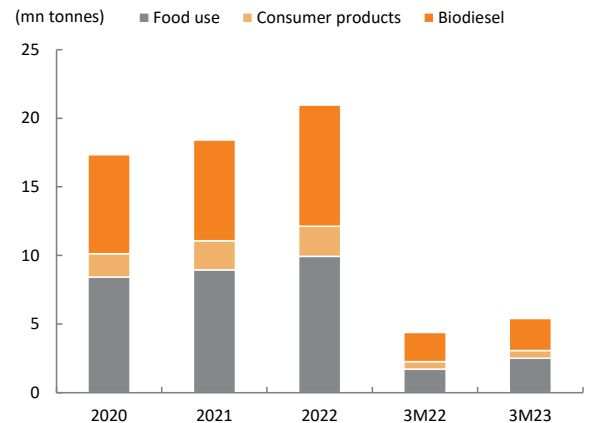
During the first three months of 2023, Indonesia's crude palm oil production reached 13.3mn tons, reflecting an 8.7% YoY increase. Additionally, the country also had a stock of 3.7mn tons during the same period. Domestic consumption of CPO experienced significant growth, reaching 5.4mn tons, which represents a 23.3% YoY increase. Additionally, exports expanded to 8.5mn tons, reflecting a 27.0% YoY increase. The growth in domestic consumption can be attributed to the continued demand for CPO in the food industry (46% of the consumption), and the biodiesel sector (43% of the consumption). Moving forward, we anticipate that both domestic consumption and exports of CPO will continue to grow. The increasing trend in domestic consumption is expected to be supported by sustained demand from the food and biodiesel sectors. Meanwhile, exports are projected to expand due to the continued global demand for Indonesian CPO.

Figure 23. Domestic vs. exports consumption



Source: GAPKI, Mirae Asset Sekuritas Indonesia Research

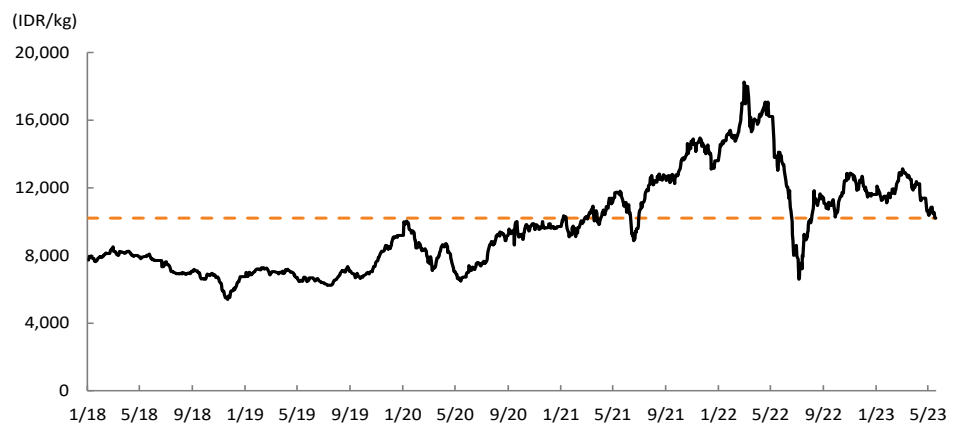
Figure 24. Domestic CPO consumption



Source: GAPKI, Mirae Asset Sekuritas Indonesia Research

Looking back to 2018, we observed that domestic CPO prices reached a higher level during the pre-Russia-Ukraine geopolitical tension period. This increase was influenced by global demand for CPO as the supply of sunflower oil from Ukraine was disrupted. Considering the current market conditions, we believe that the normalization of CPO prices is still likely. However, we expect this normalization to be more moderate due to the stable and robust domestic demand for CPO, particularly from the food use and biodiesel sectors.

Figure 25. Domestic CPO prices



Source: KPBN, Mirae Asset Sekuritas Indonesia Research

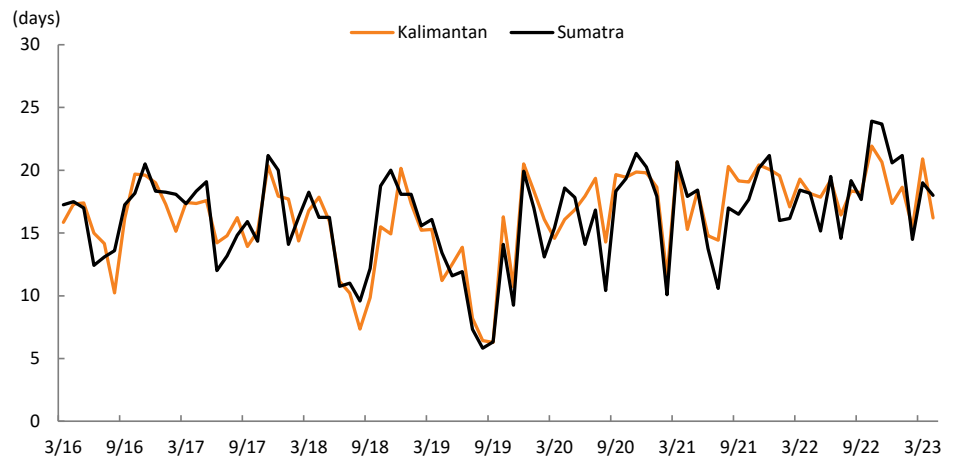
Unfriendly weather seems to cease

Weather conditions have presented significant challenges for CPO producers over the past year, impacting both Indonesia's and Malaysia's production levels. Coupled with Indonesia's government ban on CPO exports, these conditions have led to a surge in global CPO prices and increased price volatility.

However, looking ahead, we anticipate a more favorable climate in 1Q23 and expect CPO production to recover in the second half of the year. Specifically, in Kalimantan and Sumatra, the number of rainy days is projected to decrease after reaching peaking in 4Q22. This gives us hope for a CPO production recovery starting in the middle of the fiscal year 2023.

The anticipated increase in production volume should help offset the softening CPO prices, thereby alleviating earnings pressures faced by CPO companies, in our assessment.

Figure 26. Kalimantan and Sumatra rainy days might have passed its peak in 4Q22



Source: Custom Weather, Mirae Asset Sekuritas Indonesia Research

Valuation and recommendation

Initiate Trading Buy with TP of IDR164/share

We initiate our coverage of NSSS with a TP of IDR164/share, implying EV/HA of IDR133mn. Although pressures may persist until the release of 2Q23 results, we anticipate that NSSS' performance will begin to show improvement starting from 2H23, driven by its top-line growth, which will be further complemented by: 1) Better production in the coming years as its plantation coming to fruition; 2) Efficient cost management through a robust fertilization period; and 3) Higher CPO production once the second mill becomes operational.

Main risks include: 1) continuous normalization of global CPO and vegetable oils prices, 2) geopolitical risks, and 3) weather anomalies.

Table 2. Peers' comparison

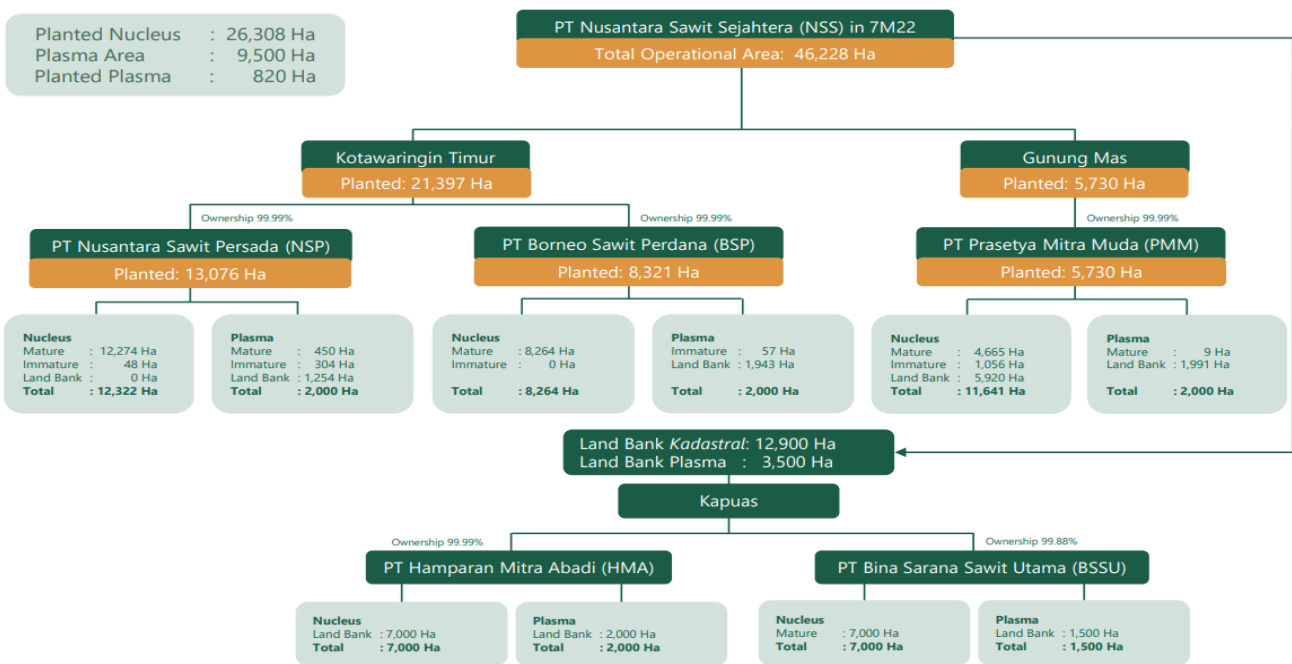
Company	Ticker	Market cap (IDRbn)	Total planted are (ha)	EV/HA (IDR'000)
Astra Agro Lestari	AALI	14,243	214,499	66,401
Sawit Sumbermas Sarana	SSMS	14,811	68,880	215,032
Triputra Agro Persada	TAPG	11,713	138,000	84,877
Sumber Tani Agung	STAA	10,849	37,747	287,411
London Sumatra	LSIP	6,721	92,649	72,537
Dharma Satya Nusantara	DSNG	6,148	84,500	72,756
Average				133,169
Nusantara Sawit Sejahtera	NSSS		29,957	
Target price (IDR/share)		164		

Source: Mirae Asset Sekuritas Indonesia Research

Company at a glance

Established in 2008, NSS is an integrated upstream plantation company in Central Kalimantan, in East Kotawaringin Regency, Gunung Mas Regency and Kapuas Regency. As of 2021, NSS owns oil palm plantations with a total planted area of ~27,000ha. In addition, NSS also owns a palm oil processing plant that processes FFB harvested from its plantations and purchases from third parties into CPO and PK. Currently, the company is preparing for the commission of its second CPO mill, which will be fully operational in 4Q23. With the additional mill, NSS has a total mill capacity of ~120tph.

Figure 27. NSS' group structure



Source: Mirae Asset Sekuritas Indonesia Research, Company

Products

Fresh Fruit Bunch (FFB)

The results of oil palm plantations, in the form of Fresh Fruit Bunches (FFB), can be harvested approximately 4 years after planting. FFB harvested from mature palm trees typically weighs over 3.5 kg per bunch and gradually increases in weight as the plant ages, reaching an average weight of around 30 kg.

In recent years, NSSS has achieved FFB production ranging from 300,000 to 400,000 tons, with an FFB yield of approximately 15-16 tons per hectare. It's important to note that FFB production is highly influenced by weather conditions, which not only impact the quality of the fruits but also the overall production process. After harvesting, FFB is transported by truck to the palm oil mill for processing into Crude Palm Oil (CPO) and Palm Kernel oil (PKO).

Unfavorable weather conditions can adversely affect FFB production and the transportation of FFB to the mill. Additionally, these conditions can cause an increase in the natural free fatty acid content of FFB, leading to a reduction in the overall oil extraction rate. Factors such as road conditions and weather-related challenges play a significant role in determining the quality and productivity of the production process.

Crude Palm Oil (CPO) & Palm Kernel

The milling of Fresh Fruit Bunches (FFB) takes place within 24 hours of harvesting. Initially, the FFB is transferred to the palm oil mills for sterilization, achieved by applying high-pressure steam. This process deactivates enzymes and separates the palm fruits from the bunches. Following sterilization, the palm fruits are crushed in a pressing machine to extract Crude Palm Oil (CPO) and palm kernel. The waste and water are then purified and separated from the CPO using a centrifuge. The filtered crude palm oil undergoes refining, while the palm kernel nut is sent for crushing. The empty fruit bunches and liquid waste from the process are recycled as fertilizer in the plantations.

Once produced, the CPO and palm kernel (PK) enter the storage and delivery stage. The CPO is stored in two tanks with a combined capacity of 6,000 tons and is then transported to ships at the company's terminal through a pipeline system. The PK, on the other hand, is loaded onto trucks and delivered to the buyer's warehouse.

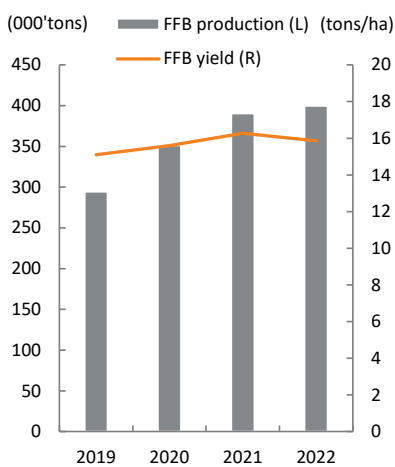
Recently, NSSS has maintained its CPO Oil Extraction Rate (OER) at around 22%. This achievement can be attributed to the quality of its FFB, which is supported by an efficient fertilization process and effective harvesting methods.

Figure 28. NSS' FFB harvesting activity and samples



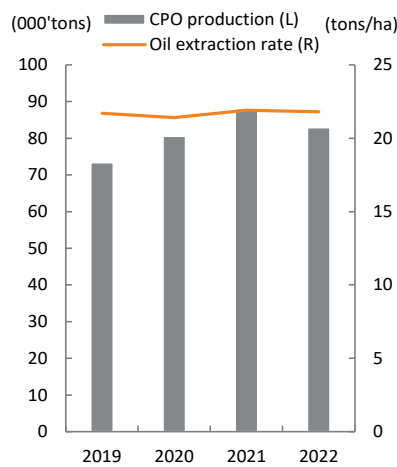
Source: Company data, Mirae Asset Sekuritas Indonesia Research

Figure 29. FFB production



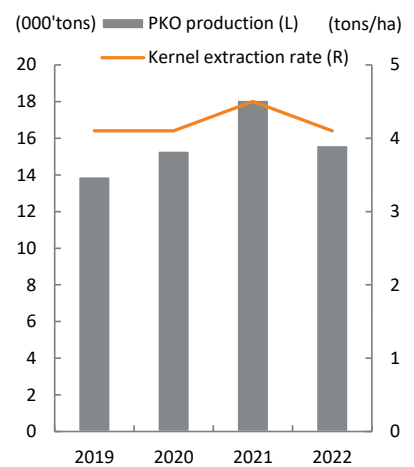
Source: Company data, Mirae Asset Sekuritas Indonesia Research

Figure 30. CPO production trend



Source: Company data, Mirae Asset Sekuritas Indonesia Research

Figure 31. PKO production trend



Source: Company data, Mirae Asset Sekuritas Indonesia Research

Management team



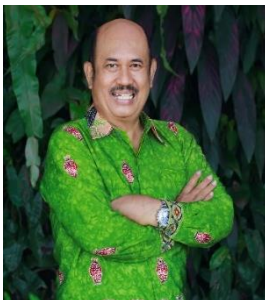
Ester Hartati Satyono
President Commissioner

Indonesian citizen, 66 years old. Mrs. Ester Hartati Satyono has completed her Bachelor's program at the University of San Francisco and earned her Bachelor of Science degree in 1975. Currently, she has been the President Commissioner of the Company since 2008. Previously she was the Regional Marketing Director of Venus Marketing Services Pte Ptd (1976–1983). President Director of PT Oceans Mitramas (1992–2006), CEO of PT Indonesia Mariculture Industries (2009–present) and his last position as President Commissioner of PT Nusantara Sawit Sejahtera Tbk (2018–present).



Robiyanto
Commissioner

Indonesian citizen, 45 years old. Mr. Robiyanto has completed the Doctoral program in Economics, Faculty of Economics and Business at Diponegoro University in 2015 and Doctoral program in Environmental Sciences, Faculty of Environmental Science and Technology at Soegijapranata Catholic University in 2021. Now, he has served as Commissioner of the Company since 2021. Previously He has had and is still having a career as an Extraordinary Lecturer in Master of Management at Diponegoro University (2016 – present), Extraordinary Lecturer in Master in Management at Soegijapranata Catholic University Semarang (2016 – present), Extraordinary Lecturer in Masters in Accounting at Soegijapranata Catholic University Semarang (2017 – present), Committee Audit of PT Polytama Propindo (2020 – present) and last position as Commissioner of PT Nusantara Sawit Sejahtera Tbk (2021 – present).



Rachmat Pambudy
Independent Commissioner

Indonesian citizen, 62 years old. Mr. Rachmat Pambudy has completed the Doctoral program majoring in Development Extension Studies at the Bogor Agricultural Institute in 1999. Now, he has served as Independent Commissioner of the Company since 2020. Previously he served as Structural Officer of the Ministry of Agriculture (2004 – present), Vice Chairman of the Board of Trustees Association of Indonesian Farmers Harmony (HKTI) (2015 – present), Founder and Expert Council of the NGO Agricultural Monitoring and Monitoring Committee (KP3I) (2016 – present) and last position as Independent Commissioner of PT Nusantara Sawit Sejahtera Tbk (2020 – present).



Teguh Patriawan
President Director

Indonesian citizen, 73 years old. Mr. Teguh Patriawan has completed his Masters program at the PPM Institute in 1991. Now, he has served as the Company's President Director since 2008. Prior to leading the Company to date, he has served as Head of the Bilateral Cooperation Sub Division, Planning Bureau of the Ministry of Forestry (1981 – 1981). 1984), General Manager and Director of Sola Gratia Group (1981 – 1986), President Director of Surya Dumai Group (1986 – 1993), CEO of PT Binasawit Abadipratama (1993 – 2008) with his last position now as President Director of PT Nusantara Sawit Sejahtera Tbk (2008 - now).



Kurniadi Patriawan
Director

Indonesian citizen, 34 years old. Mr. Kurniadi Patriawan graduated from the University of California with a Bachelor of Science degree in 2010. Currently, he has served as Director of the Company since 2021. Previously he started his career at the Company as Assistant to the President Director (2011 – 2016), Manager of Trading (2016 – 2021) and last position as Deputy President Director of PT Nusantara Sawit Sejahtera Tbk (2021 – present).



Miniwati Kasmita
Director

Indonesian citizen, 56 years old. Mrs. Miniwati Kasmita has graduated from the Bachelor program at the Faculty of Economics, Unika Atmajaya in 1990. Now, she has served as Director of the Company since 2017. Previously she had a career as Accounting at Dharma Samudera Fishing Industries (1989 – 1990), AVP Accounting at PT Sinar Mas Agro Resources Tbk (1990 – 2016) and his last position as Director of PT Nusantara Sawit Sejahtera Tbk (2017 – present).

Nusantara Sawit Sejahtera (NSSS IJ)

Income statement (summarized)

(IDRbn)	12/21	12/22	12/23F	12/24F
Revenue	1,147	1,134	978	1,216
Cost of sales	-576	-728	-476	-613
Gross profit	571	406	502	602
Operating expenses	-65	-80	-78	-87
Operating income	33	-3	-3	-3
EBITDA	622	450	564	662
Interest income/expense	-204	-189	-189	-199
Pretax profit	334	124	222	303
Income taxes	-89	-54	-49	-67
Minority interest	0	0	0	0
Net profit	245	70	173	236

Margin (%)

Gross margin (%)	49.8	35.8	51.3	49.5
EBITDA margin (%)	54.2	39.7	57.6	54.4
Operating margin (%)	46.9	27.6	42.0	41.3
Net margin (%)	21.4	6.2	17.7	19.4

Growth (%)

Revenue	53.5	-1.1	-13.8	24.3
Cost of sales	10.1	26.4	-34.7	28.9
Gross profit	155.3	-28.9	23.7	20.0
Operating expenses	9.6	21.9	-2.2	11.5
Biological assets - net	220.8	-110.3	-12.0	5.0
EBITDA	126.3	-27.6	25.2	17.4
Net profit	1,162.5	-71.4	146.2	36.7

Forecast/Valuations (Summarized)

	12/21	12/22	12/23F	12/24F
P/E (x)	N/A	N/A	22.6	18.1
P/B (x)	N/A	N/A	3.7	3.3
EV/EBITDA (x)	N/A	N/A	133	133
EPS (IDR)	N/A	N/A	7.3	9.9
BPS (IDR)	N/A	N/A	44.4	54.3
DPS (IDR)	0	0	0	0
Payout ratio (%)	0	0	0	0
Div. yield (%)	0	0	0	0
Revenue growth (%)	53.5	-1.1	-13.8	24.3
EBITDA growth (%)	126.3	-27.6	25.2	17.4
Operating profit growth (%)	208.3	-35.5	30.0	21.6
Net profit growth (%)	1,162.5	-71.4	146.2	36.7
A/R turnover (x)	53.2	37.5	36.5	37.0
Inventory turnover (x)	5.3	3.0	2.3	2.4
A/P turnover (x)	3.4	2.7	2.3	2.2
ROA (%)	61.7	21.2	19.9	20.5
ROE (%)	43.9	11.1	16.4	18.3
Current ratio (X)	1.10	0.98	1.76	1.79
Gross debt/equity (%)	3.9	3.3	2.1	1.8
Net debt/equity (%)	3.5	3.3	2.0	1.7

Source: Company data, Mirae Asset Sekuritas Indonesia Research estimates

Balance sheet (summarized)

(IDRbn)	12/21	12/22	12/23F	12/24F
Current Assets				
Cash & ST investment	191	40	104	78
Trade receivables	24	33	32	39
Inventories	90	160	209	202
Others	93	97	524	832
Non-current assets				
Fixed assets	542	623	806	763
Others	2,036	2,081	1,901	2,022
Total assets	2,975	3,035	3,575	3,936
Current liabilities				
Account payable	140	178	206	213
ST financials	166	109	244	377
Others	57	50	43	53
Non-current liabilities				
LT financials	1,990	1,996	1,964	1,924
Others	63	72	62	78
Total liabilities	2,416	2,405	2,520	2,645
Capital stock	1,011	1,011	1,011	1,011
Additional paid in capital	1	1	254	254
Retained earnings	-453	-382	-209	27
Minority interest	0	0	0	0
Total equities	559	630	1,055	1,292

Growth (%)

Total assets	8.0	2.0	17.8	10.1
Total liabilities	-1.1	-0.4	4.8	5.0
Total equities	78.4	12.7	67.5	22.4

Cash flow (Summarized)

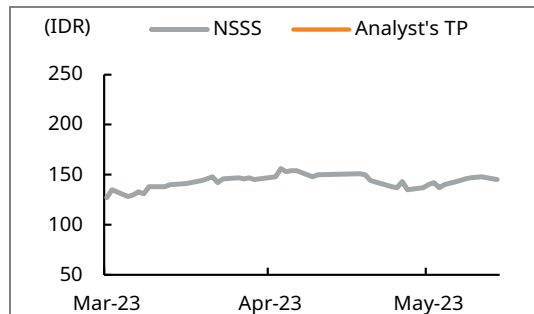
(IDRbn)	12/21	12/22	12/23F	12/24F
Operating cash flow	318	47	104	55
Net profit	245	70	173	236
Depreciation	-117	-124	-140	-146
Change in working capital	83	42	19	-7
Others	106	59	52	-28
Investment cash flow	-82	-137	-397	-174
Capex	-221	-290	-388	-177
Others	139	152	-9	3
Financing cash flow	-86	-61	356	92
Change in financial liabilities	-70	-51	104	92
Change in equity	0	0	252	0
Dividend	0	0	0	0
Others	-16	-9	0	0
Increase (Decrease) in Cash	150	-151	63	-26
Beginning Balance	42	191	40	104
Ending Balance	191	40	104	78

Appendix 1

Important Disclosures & Disclaimers

2-Year Rating and Target Price History

Company (Code)	Date	Rating	Target Price
Nusantara Sawit Sejahtera (NSSS IJ)	5/23/2023	Trading Buy	164



Stock Ratings

Buy	: Relative performance of 20% or greater
Trading Buy	: Relative performance of 10% or greater, but with volatility
Hold	: Relative performance of -10% and 10%
Sell	: Relative performance of -10%

Industry Ratings

Overweight	: Fundamentals are favorable or improving
Neutral	: Fundamentals are steady without any material changes
Underweight	: Fundamentals are unfavorable or worsening

Ratings and Target Price History (Share price (—), Target price (—), Not covered (≡), Buy (▲), Trading Buy (■), Hold (●), Sell (◆))

* Our investment rating is a guide to the relative return of the stock versus the market over the next 12 months.

* Although it is not part of the official ratings at PT Mirae Asset Sekuritas Indonesia, we may call a trading opportunity in case there is a technical or short-term material development.

* The target price was determined by the research analyst through valuation methods discussed in this report, in part based on the analyst's estimate of future earnings.

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Mirae Asset Securities International Network

Mirae Asset Securities Co., Ltd. (Seoul)

One-Asia Equity Sales Team
Mirae Asset Center 1 Building
26 Eulji-ro 5-gil, Jung-gu, Seoul 04539
Korea

Tel: 82-2-3774-2124

Mirae Asset Securities (USA) Inc.

810 Seventh Avenue, 37th Floor
New York, NY 10019
USA

Tel: 1-212-407-1000

PT. Mirae Asset Sekuritas Indonesia

District 8, Treasury Tower Building Lt. 50
Sudirman Central Business District
Jl. Jend. Sudirman, Kav. 52-54 Jakarta Selatan
12190
Indonesia

Tel: 62-21-5088-7000

Mirae Asset Securities Mongolia UTsK LLC

#406, Blue Sky Tower, Peace Avenue 17
1 Khoroo, Sukhbaatar District
Ulaanbaatar 14240
Mongolia

Tel: 976-7011-0806

Shanghai Representative Office

38T31, 38F, Shanghai World Financial Center
100 Century Avenue, Pudong New Area
Shanghai 200120
China

Tel: 86-21-5013-6392

Mirae Asset Securities (HK) Ltd.

Units 8501, 8507-8508, 85/F
International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

Tel: 852-2845-6332

Mirae Asset Wealth Management (USA) Inc.

555 S. Flower Street, Suite 4410,
Los Angeles, California 90071
USA

Tel: 1-213-262-3807

Mirae Asset Securities (Singapore) Pte. Ltd.

6 Battery Road, #11-01
Singapore 049909
Republic of Singapore

Tel: 65-6671-9845

Mirae Asset Investment Advisory (Beijing) Co., Ltd

2401B, 24th Floor, East Tower, Twin Towers
B12 Jianguomenwai Avenue, Chaoyang District
Beijing 100022
China

Tel: 86-10-6567-9699

Ho Chi Minh Representative Office

7F, Saigon Royal Building
91 Pasteur St.
District 1, Ben Nghe Ward, Ho Chi Minh City
Vietnam

Tel: 84-8-3910-7715

Mirae Asset Securities (UK) Ltd.

41st Floor, Tower 42
25 Old Broad Street,
London EC2N 1HQ
United Kingdom

Tel: 44-20-7982-8000

Mirae Asset Wealth Management (Brazil) CCTVM

Rua Funchal, 418, 18th Floor, E-Tower Building
Vila Olimpia
Sao Paulo - SP
04551-060
Brazil

Tel: 55-11-2789-2100

Mirae Asset Securities (Vietnam) LLC

7F, Saigon Royal Building
91 Pasteur St.
District 1, Ben Nghe Ward, Ho Chi Minh City
Vietnam

Tel: 84-8-3911-0633 (ext.110)

Beijing Representative Office

2401A, 24th Floor, East Tower, Twin Towers
B12 Jianguomenwai Avenue, Chaoyang District
Beijing 100022
China

Tel: 86-10-6567-9699 (ext. 3300)

Mirae Asset Capital Markets (India) Private Limited

Unit No. 506, 5th Floor, Windsor Bldg., Off CST Road,
Kalina, Santacruz (East), Mumbai - 400098
India

Tel: 91-22-62661336
