

PT Nusantara Sawit Sejahtera Tbk (NSSS)

Investor Newsletter: 1Q23 Results Update



Volume 2: 5 May 2023



Established in 2008 and listed on the IDX in 2023, **PT Nusantara Sawit Sejahtera Tbk (NSSS)** is comprised of five upstream integrated plantation companies with total planted and unplanted nucleus area of 46,000ha located in Central Kalimantan, Indonesia. Led by a solid and experienced management team, NSSS produces high quality palm oil products complying with best practices in the cultivation of palm oil.

Lower 1Q23 Revenue Amid Normalizing CPO ASP

Following an anomaly spike in CPO prices during 1Q22 due to the Ukraine-Russia war, NSSS experienced a normalizing trend of CPO ASP in 1Q23 at IDR11,366/kg or +0.6% QoQ. However, the Company recorded lower 1Q23 revenue of IDR243bn (-9.8% QoQ) on the back of decreased CPO ASP of -23.9% YoY and higher 1Q23 CPO Sales Volume of +15.6% YoY. Of the total 1Q23 revenue, Crude Palm Oil contributed 86.4%, followed by Palm Kernels at 8.2% and FFB at 5.4%.

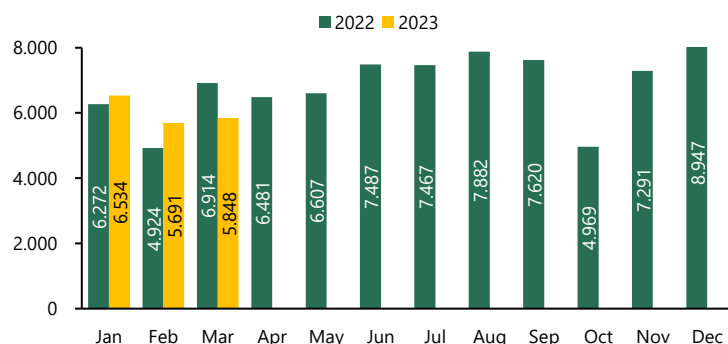
Higher Operational Costs Continued in 1Q23

Higher fertilizer and plant maintenance costs continued to hamper NSSS' profitability in 1Q23, resulting in lower Gross Profit to IDR31bn or -48.4% QoQ and -81.1% YoY. Moreover, the Company also recorded higher G&A expenses, jumping +177.1% on the back of increased professional expenses as well as biological assets losses of IDR8.7bn in 1Q23.

Expecting Profitability Improvements in 2023

Going forward, the management expects profitability improvements on the back of 1) higher CPO sales volumes due to the second CPO Mill coming on stream in 4Q23 and 2) utilization of lower cost fertilizer inventory starting in 2Q23.

CPO Production (Tons)

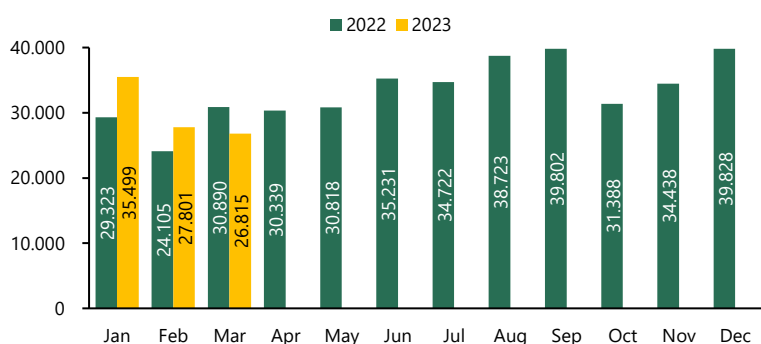


Profit and Loss	1Q22 (IDRbn)	4Q22 (IDRbn)	1Q23 (IDRbn)	QoQ (%)	YoY (%)	2021 (IDRbn)	2022 (IDRbn)	YoY (%)
Revenue	287	270	243	(9.8)	(15.3)	1,147	1,134	(1.1)
COGS	122	209	212	1.3	73.7	576	728	26.4
Gross Profit	165	60	31	(48.4)	(81.1)	571	406	(28.9)
GPM (%)	57.5	22.4	12.8	-	-	49.8	35.8	-
EBITDA	202	88	17	(81.2)	(91.8)	655	437	(33.2)
EBITDA Margin (%)	70.2	32.7	6.8	-	-	57.1	38.6	-
EBIT	151	46	(3)	(107.4)	(102.2)	505	326	(35.5)
EBIT Margin (%)	52.4	16.9	(1.4)	-	-	44.1	28.7	-
Pre-tax Profit	124	20	(54)	(375.7)	(143.7)	334	124	(62.9)
Net Profit	94	6	(61)	(1,180)	(164.7)	245	70	(71.4)
NPM (%)	32.8	2.1	(25.0)	-	-	21.4	6.2	-

Plantation Performance	1Q22	4Q22	1Q23	QoQ (%)	YoY (%)	2021	2022	YoY (%)
FFB Production (tons)								
Nucleus (tons)	84,318	105,654	90,115	(14.7)	6.9	390,367	399,606	2.4
Plasma (tons)	738	1,316	1,035	(21.4)	40.2	3,981	4,596	15.4
FFB Yield (%)	3.3	4.2	3.5	-	-	16.3	15.9	-

Mill Performance	1Q22	4Q22	1Q23	QoQ (%)	YoY (%)	2021	2022	YoY (%)
Processed FFB (tons)	81,783	95,584	83,963	(12.2)	2.7	402,004	380,549	(5.3)
CPO Production (tons)	18,110	21,207	18,073	(14.8)	(0.2)	88,025	82,862	(5.9)
PK Production (tons)	3,398	3,918	3,697	(5.6)	8.8	18,083	15,617	(13.6)
CPO OER (%)	22.1	22.2	21.5	-	-	21.9	21.8	-
KER (%)	4.2	4.1	4.4	-	-	4.5	4.1	-

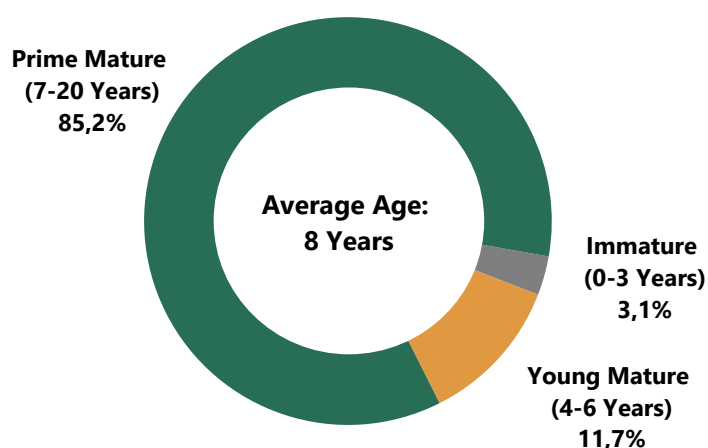
FFB Production (Tons)



Higher 2023 Production on 2nd CPO Mill Operation

1Q23 total FFB production reached 91,150 tons (nucleus and plasma), down by 14.8% QoQ and 6.9% YoY. Although NSSS recorded higher 1Q23 processed FFB at 83,963 tons, up 2.7% YoY, its CPO production was relatively flat at 18,073 tons (-0.2% YoY) caused by lower CPO extraction rate of 21.5% (-60bps). On the production side, NSSS recorded 1Q23 nucleus FFB yield at 3.3 tons per ha with PK extraction rate at 4.4%. CPO mill utilization rate came in at 22.7% in 1Q23 vs 23.3% in 1Q22. Looking ahead, management expects higher production in 2023 driven by the operation of its second CPO mill in 4Q23.

Age Profile (as of March 2023)



Plantation Areas & Young Plant Profile

In 1Q23, NSSS increased its new planted area by 37ha on its ready-to-use landbank bringing the total planted area (including plasma) to 27,357ha. In FY23, the Company expects to reclassify 1,227ha of immature planted area to mature area bringing its average age profile to 8 years.

Stronger Balance Sheet on IPO Proceeds

As at the end of March 2023, total assets increased 13.5% YTD to IDR3.4tn, resulting from ongoing construction of the Company's second CPO Mill with capacity of 60 tons per hour under its subsidiary company, PT Borneo Sawit Perdana (BSP). The Company recorded a slight addition in its total liabilities by 1.6% in 1Q23 to IDR2.4tn due to IDR9bn rise in consumer finance payable. Meanwhile, total equity rose 58.7% YTD to IDR1.0tn in 1Q23. With IDR453bn IPO proceeds in 1Q23, the Company expects net gearing to further improve to 154.4% in FY23 and 56.1% in FY24.

Total Planted Area	2020	2021	2022	3M23	YTD (%)
New Planting (ha)	463	154	175	37	(79.0)
Total Area (ha)	26,738	27,033	27,265	27,357	0.3
Mature Area (ha)					
Nucleus (ha)	22,513	23,982	25,197	25,594	1.6
Plasma (ha)	450	459	560	583	4.1
Immature Area (ha)					
Nucleus (ha)	3,565	2,239	1,187	828	(30.3)
Plasma (ha)	210	354	321	352	9.9

Balance Sheet	2022 (IDRbn)	1Q23 (IDRbn)	YTD (%)
Cash and equivalents	40	160	294.6
Trade receivables	30	21	(31.3)
Inventories	160	154	(3.9)
Fixed assets	623	673	8.0
Biological assets	1,846	1,827	(1.1)
Other assets	335	610	82.1
Total Assets	3,035	3,444	13.5
<i>Return on assets (%)</i>	2.3	(1.8)	-
Interest bearing liabilities	2,105	2,117	0.6
Trade payables	124	136	9.5
Other liabilities	176	191	8.5
Total Liabilities	2,405	2,444	1.6
<i>Net gearing (%)</i>	327.6	195.8	-
Minority interest	0	0	(4.7)
Total Equity	630	1,000	58.7
<i>Return on equity (%)</i>	11.1	(6.1)	-

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