

NUSANTARA SAWIT SEJAHTERA

Young palm oil producer with tremendous growth potential

May 25th 2023

Nusantara Sawit Sejahtera (NSSS) is among the youngest palm oil producer with an avg age of < 8 years. The company manages more than 27,000 ha of planted oil palm area in Central Kalimantan and plans to boost its planted area by another 20,000 ha in the next four years. The young age, coupled with massive expansion in new planting, should allow NSSS to record multi-year output growth outperformance. We initiate BUY with TP of IDR164, based on USD13,000 EV/ha.

Above-average output growth

NSS is estimated to record strong FFB output growth of 12% and 9% in 2023-24F, extending its multi-year growth outperformance, as its oil palm estates gradually mature and generate higher productivity. Our growth estimate is based on conservative 17.0 ton/ha and 18.3 ton/ha of blended FFB yield in 2023-24F. We expect FFB production to reach around 436,000 ton and 477,000 ton in 2023-24F, increasing from 399,606 ton in previous year.

Strong 2023-24F earnings performance

Both higher productivity from maturing tree coupled with increasing selling prices for palm oil products will be significant beneficial to the company's overall earnings and cashflow performance this year.

We estimate NSS's 2023-24F earnings to reach IDR165bn and IDR204bn (+135% and +24% yoy), sharply higher compared to IDR70bn in 2022. Similarly, we also expect EBITDA to show notable grow of 19% and 8% yoy to IDR537bn and IDR578bn in 2023-24F.

Benefitting from soaring palm oil prices

CPO price has risen significantly in recent years with average domestic prices (FOB Dumai/Medan) hovering at IDR11.7mn/ton ytd 2023 (sharply higher compared to IDR7.7mn/ton average in 2018 - 2020 period. We view that the high prices will likely to continue given various supportive factors disrupting the supply side including the declining output growth trend (aging tree age profile across major producing nations, increasing weather uncertainties, and geopolitical risks disrupting supplies of substitutes vegetable oils). This will positively benefit NSS going forward as the high prices will lead to strong profitability and cash flow.

Initiate BUY – TP IDR164

Our TP is based on USD13,000 forward EV/ha. We view NSS deserves a slight premium compared to peers given its uniquely young and sizeable plantation profile which could potentially deliver strong multi-year output growth outperformance among other palm oil producers. Our TP also implies 23.6x 2023F PE.

FINANCIAL HIGHLIGHTS

IDR bn	2021	2022	2023F	2024F	2025F
Revenue	1,147	1,134	1,277	1,347	1,709
EBITDA	622	450	537	578	680
PATMI	245	70	165	204	281
EPS growth (%)	1,162.5	(71.4)	135.2	23.6	37.5
ROE (%)	43.9	11.1	13.5	14.3	16.4
PER (x)	12.2	42.6	21.3	17.2	12.5
PBV (x)	5.4	4.7	2.9	2.5	2.1
EV/EBITDA (x)	8.8	12.4	9.8	9.1	8.0
Dividend yield (%)	-	-	-	-	-
Net gearing (x)	3.5	3.3	1.4	1.2	1.1

BUY

Current Price	148
Price Target	164
Upside/Downside	+10.8%

INDONESIA

PALM OIL

Stock Data

Bloomberg Ticker	NSSS IJ
Outs. Share (bn)	23.8
Mkt Cap (IDR bn)	3,520.7
52 Week Range (IDR)	126 - 164
6M Avg Val (IDR bn)	N/A
YTD Returns (%)	N/A
Beta (x)	N/A

Share Price Performance (IDR/Share)



Share Performance (%)

Month	Absolute	Relative
3m	N/A	N/A
6m	N/A	N/A
12m	N/A	N/A



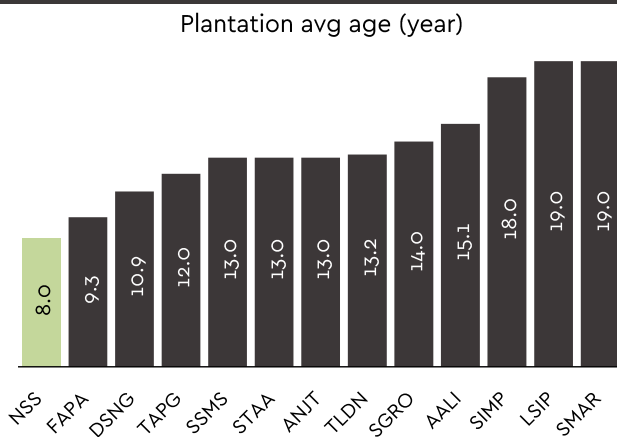
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Investment Thesis

Among the youngest upstream palm oil producers

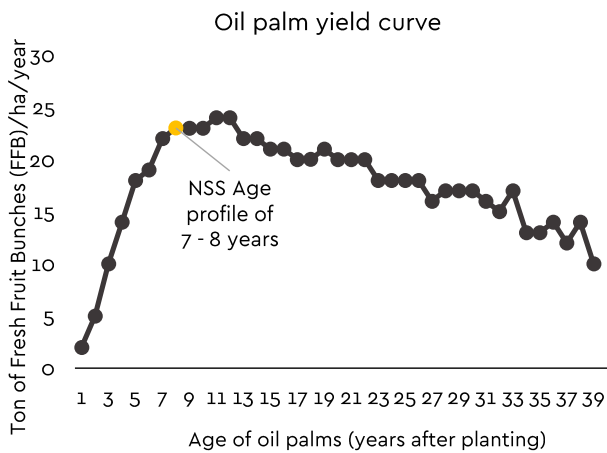
Nusantara Sawit Sejahtera (NSS) is arguably the youngest listed palm oil producers with an average age of eight years, far below the industry average of around 12-15 years. The young age should enable the company to record strong output growth in coming years as the plantation gradually mature and reaching its prime age, usually between 8-15 years (Fig. 2).

Fig. 1: NSS is among the youngest listed palm oil producers



Source: Respective companies, Sucor Sekuritas

Fig. 2: NSS output yield is set to improve further as tree mature

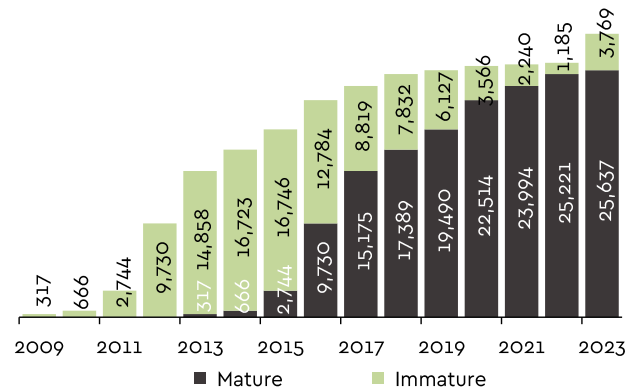


Source: Frost & Sullivan Research, Sucor Sekuritas

The company currently more than 27,000 ha of planted oil palm area, comprising mostly of nucleus 26,406 ha and plasma area of 812 ha. All of the company's oil palm estates are located in Central Kalimantan and is divided into five wholly-owned subsidiaries (Fig 5).

Fig. 3: Majority of planted area just came into maturity in recent years

NSS planted area breakdown (ha)



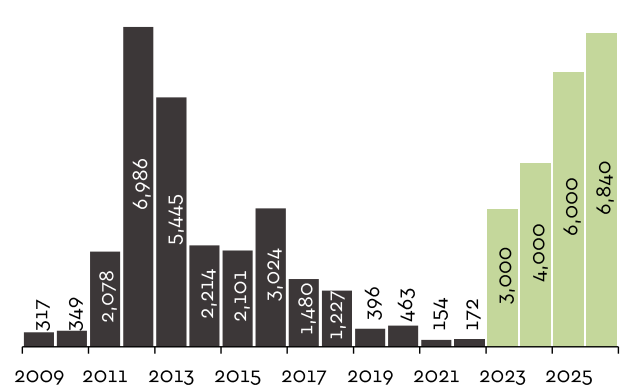
Source: Nusantara Sawit Sejahtera, Sucor Sekuritas

NSS aims to further boost its planted area through sizeable new planting activities in next 3-4 years, supported by its huge landbank of around 20,000 ha nucleus area. This should boost the company's overall planted area to more than 52,000 ha by 2026 (including an estimated 5,800 ha of plasma area), **increasing by more than 90% from 27,287 ha in 2022.**

The massive expansion in new planted area coupled with growing productivity from its current planted area should allow the company to record **multi-year output growth outperformance over peers.**

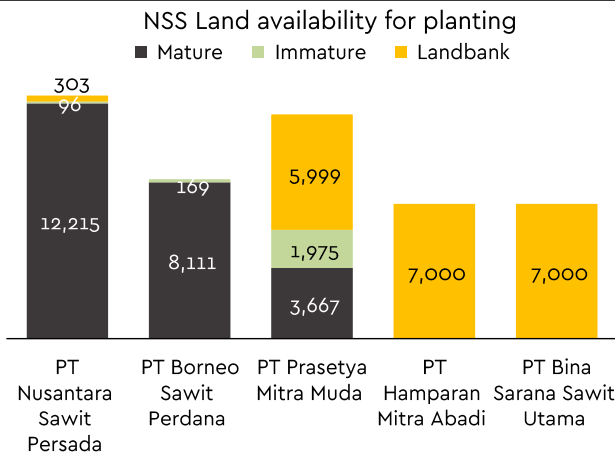
Fig. 4: Aggressive new planting target post-IPO

NSS new planting activities (ha)



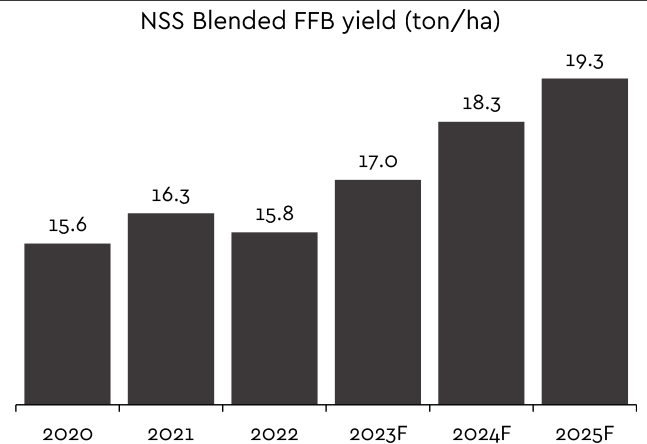
Source: Nusantara Sawit Sejahtera, Sucor Sekuritas estimates

Fig. 5: NSS has huge landbank area in its subsidiaries



Source: Nusantara Sawit Sejahtera, Sucor Sekuritas

Fig. 7: Improvement in FFB yield as tree gradually reaching prime age



Source: Nusantara Sawit Sejahtera, Sucor Sekuritas estimates

Strong output growth potential from young age and expansion in new planted area

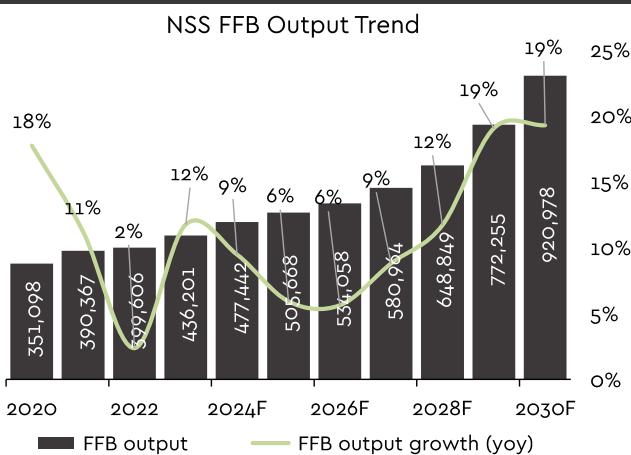
We estimate the company to deliver strong FFB output growth of 12% and 9% yoy in 2023-24F, extending its multi-year growth outperformance (Fig. 10) as its oil palm estates gradually mature and generate higher productivity. Our growth estimate is based on conservative 17.0 ton/ha and 18.3 ton/ha of FFB yield in 2023-24F, respectively.

Note that for the average age profile of eight years, the potential FFB yield could reach as high as 22-23 ton/ha (Fig. 2), far higher compared to our conservative estimates.

We expect FFB production to reach 436,000 and 477,000 ton in 2023-24F, increasing from 399,600 ton in the previous year.

Meanwhile, CPO sales volume is also estimated to increase to around 96,000 and 106,000 ton in 2023-24F (+9% and 10% yoy), respectively.

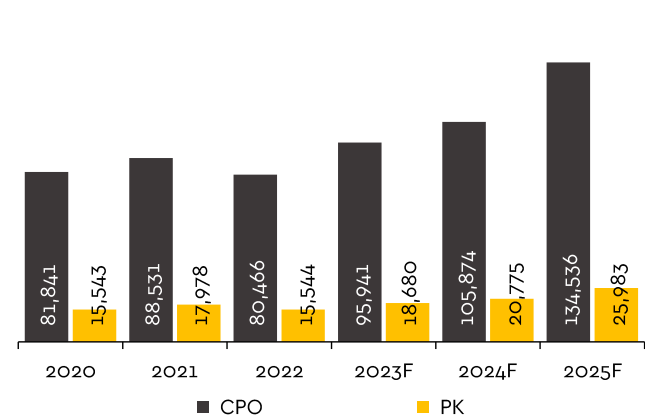
Fig. 6: Sharp increase in NSS FFB production continues



Source: Nusantara Sawit Sejahtera, Sucor Sekuritas estimates

Fig. 8: Limited mill capacity to cause excess output to be sold as FFB

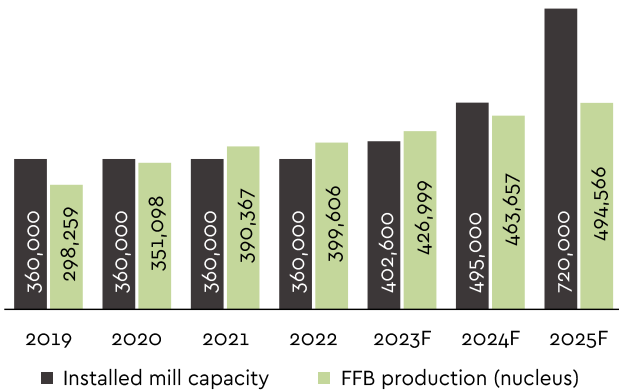
NSS Sales volume breakdown (ton)



Source: Nusantara Sawit Sejahtera, Sucor Sekuritas estimates

Fig. 9: FFB production to outgrow the mill capacity in 2023F – 24F

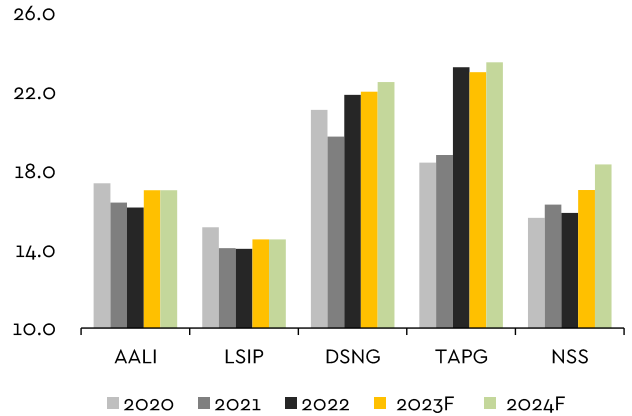
Installed capacity vs FFB production



Source: Nusantara Sawit Sejahtera, Sucor Sekuritas estimates

Fig. 11: NSS to see sharp pick up in FFB yield in coming years

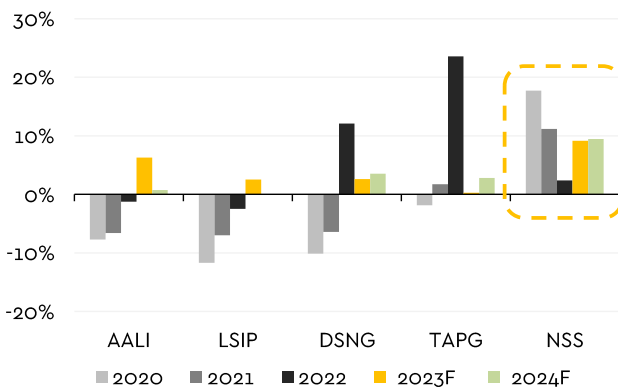
FFB yield - nucleus (ton/ha)



Source: Respective companies, Sucor Sekuritas estimates

Fig. 10: NSS FFB output growth to continue outperform peers

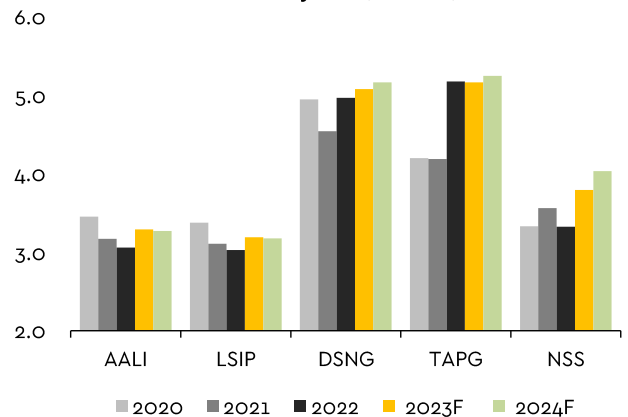
Nucleus FFB growth (yoy) comparison



Source: Respective companies, Sucor Sekuritas estimates

Fig. 12: NSS CPO yield is also among the highest in the industry

CPO yield (ton/ha)



Source: Respective companies, Sucor Sekuritas estimates

NSS currently has one palm oil mill in operation with processing (input) capacity of 60 ton per hour (tph) or 360,000 ton annualized and is currently developing its second palm oil mills with similar processing capacity which is estimate to assume operation in 1Q23 at the earliest.

These two mills are strategically located near the Mentaya and Tualan rivers, which enable the company to build direct piping system to transport CPO produced at the mill to special terminal and onto tanker. The direct piping system helps to reduce the overall logistic costs as it eliminates the need for land transport.

The addition of the new mill should boost the company's total FFB processing capacity to 720,000 ton/annum and is sufficient to support the organic FFB production of the company at least until 2026.

Fig. 13: Land clearing for second CPO mill started in Aug '21



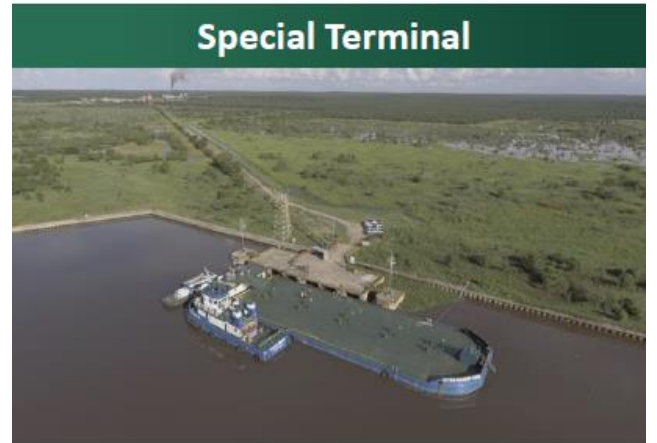
Source: Nusantara Sawit Sejahtera, Sucor Sekuritas

Fig. 14: Direct piping system from mill to special terminal



Source: Nusantara Sawit Sejahtera, Sucor Sekuritas

Fig. 15: Special terminal to facilitate CPO delivery

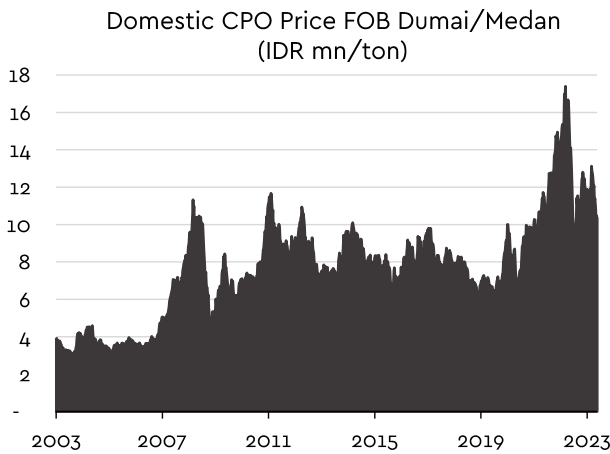


Source: Nusantara Sawit Sejahtera, Sucor Sekuritas

Benefitting from spike in CPO selling prices

NSS, being the upstream palm oil producer, should greatly benefit from the rise in CPO selling prices. CPO price has risen significantly in last two years with average domestic prices (FOB Dumai/Medan) hovering at IDR11.7 mn and IDR12.7 mn/ton in 2021-22, sharply higher compared to IDR7.7 mn/ton average in the 2018-2020 period. YTD prices have also remained favorable, averaging at IDR11.7 mn or similar compared to the average price in 2022.

Fig. 16: Favorable CPO prices



Source: GAPKI, Bloomberg, Sucor Sekuritas

The high prices will likely continue, given various supportive factors disrupting the supply side, including the declining output growth trend, increasing weather uncertainties, and the latest caused by the political risk (invasion of Ukraine, world's largest producer and exporter of sunflower seed oil contributing one-third of global production and half of the world export) which forces consumers and industries to seek other alternatives namely palm oil.

We conservatively estimate domestic CPO price (nett of export levy and tax) to reach an average of IDR11.8 mn/ton this year, assuming USDIDR exchange rate of IDR14,800.

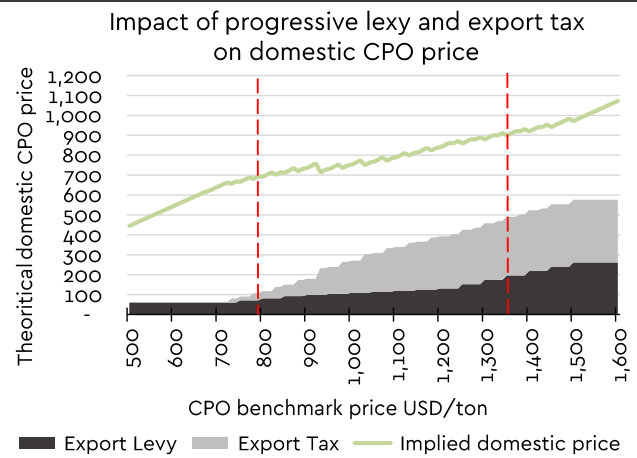
The palm oil producers, including NSS, are set to record a sharp increase in profitability margins this year as the average selling prices continue to reach new highs. Note that the current domestic CPO price has risen more than 60% compared to the average IDR8.7 mn/ton in previous five years (2017-2021).

Export levy and tax structure help stabilize domestic CPO prices

While the implementation of progressive export levy and tax has negatively impact to domestic producers as it creates a significant discount on domestic CPO price compared to the benchmark price, it also helps to stabilize the domestic CPO prices (protect downside should the commodity prices drop).

Our analysis below (Fig. 17) shows that the theoretical domestic CPO price should range between USD700-900/ton should the benchmark export price trade at USD800-1,350/ton.

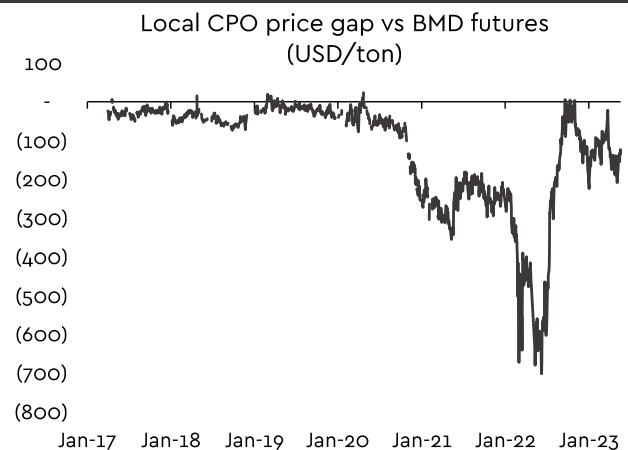
Fig. 17: More stable domestic CPO price



Source: Bloomberg, Sucor Sekuritas

We view that the progressive export levy is necessary to sustainably fund the domestic biodiesel program, which in turn could soak up excess supply of palm oil and support CPO prices. It is worth to point out that even with the current levy structure, the domestic CPO price is still much higher compared to its historical average.

Fig. 18: Domestic CPO price is at huge discount vs its benchmark price



Source: Bloomberg, Sucor Sekuritas

Fig. 19: Progressive palm oil export levy structure

		Palm Oil Export Levy based on CPO reference price (USD/ton)															
	< 750	750	800	850	900	950	1,000	1,050	1,100	1,150	1,200	1,250	1,300	1,350	1,400	1,450	>1,500
		800	850	900	950	1,000	1,050	1,100	1,150	1,200	1,250	1,300	1,350	1,400	1,450	1,500	
Crude Palm Oil	55	65	75	85	90	95	100	105	110	115	120	140	160	180	200	220	240
Crude Palm Kernel Oil	55	65	75	85	90	95	100	105	110	115	120	140	160	180	200	220	240
Crude Palm Olein	55	65	75	85	90	95	100	105	110	115	120	140	160	180	200	220	240
RBD Palm Olein	35	45	55	65	70	75	80	85	90	95	100	117	134	151	168	186	204
Biodiesel	25	35	45	55	60	65	70	75	80	85	90	107	124	141	158	176	194

Source: Indonesia Ministry of Finance, Sucor Sekuritas

Fig. 20: Progressive palm oil export duty (tax) structure

		Palm Oil Export Duty (Tax) based on CPO reference price (USD/ton)															
	< 680	680	730	780	830	880	930	980	1,030	1,080	1,130	1,180	1,230	1,280	1,330	1,380	>1,430
		730	780	830	880	930	980	1,030	1,080	1,130	1,180	1,230	1,280	1,330	1,380	1,430	
Crude Palm Oil	-	3	18	33	52	74	124	148	178	201	220	240	250	260	270	280	288
Crude Palm Kernel Oil	-	1	21	49	85	95	147	195	224	241	262	294	306	319	331	343	353
Crude Palm Olein	-	-	-	-	-	14	60	78	99	119	138	142	148	153	159	165	170
RBD Palm Olein	-	-	-	2	12	26	71	88	104	118	137	140	150	160	170	180	192
Biodiesel	-	-	-	-	-	-	32	35	37	71	73	77	82	88	93	98	105

Source: Indonesia Ministry of Finance, Sucor Sekuritas

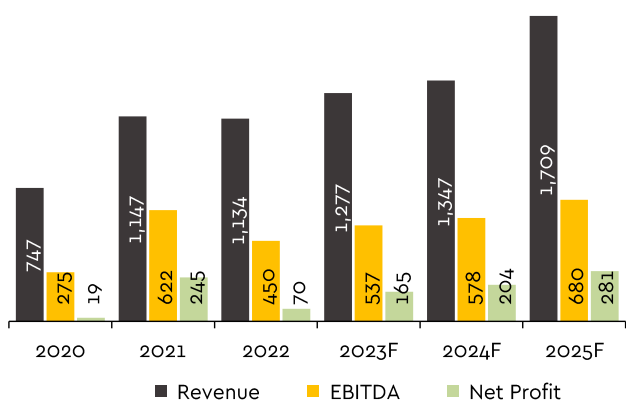
Financial performance

Significant jump in 2023–24F earnings

Both higher productivity from maturing tree and favorable selling prices for palm oil products will be significantly beneficial to the company's overall earnings and cash flow performance going forward. We estimate NSS's 2023–24F earnings to reach IDR165 bn (+135% yoy) and IDR204 bn (+24% yoy), respectively, sharply higher compared to IDR70 bn in 2022. Similarly, we also expect EBITDA to show notable grow of 19% and 8% yoy to IDR537 bn and IDR578 bn in 2023–24F.

Fig. 21: Sharp improvement in 2023–24F earnings and EBITDA

NSS Financial Projection (IDR bn)



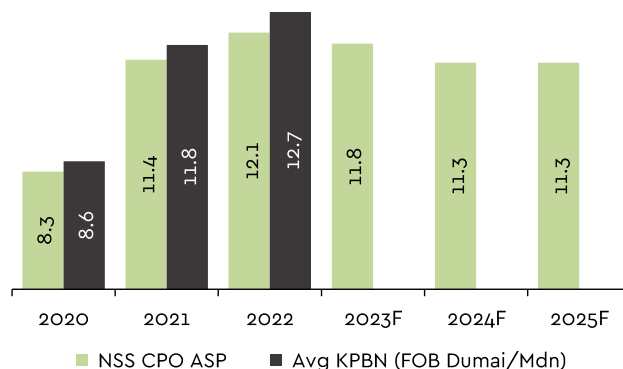
Source: Nusantara Sawit Sejahtera, Sucor Sekuritas estimates

Our earnings assumption is based on conservative FFB yield of 17.0 ton/ha in 2023F, increasing from 15.8 ton/ha in previous year. NSS's nucleus FFB production is estimated to reach around 436,000 ton (+12% yoy) in 2023F. Meanwhile, average CPO selling prices is estimated to stabilize and hover around IDR11–12mn/ton, slightly lower compared to realized ASP of IDR12.1mn/ton in 2022.

Going into 2024F, we expect earnings to further improve to IDR204 bn (+24% yoy) as we expect continuous improvement in productivity (higher CPO output) to offset the slight decline in CPO selling prices. Similarly, EBITDA should also increase to IDR578 bn in 2024F (+8% yoy).

Fig. 22: Favorable CPO selling price to boost earnings and margin

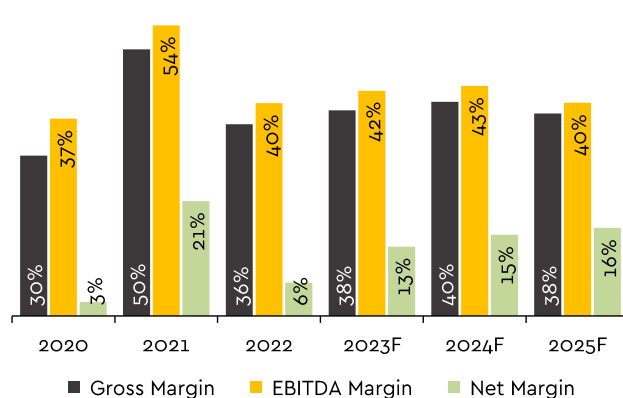
Avg Domestic CPO price - KPBN FOB Dumai (IDR mn/ton)



Source: GAPKI, Sucor Sekuritas estimates

Fig. 23: Margin expansion in 2023F following higher productivity

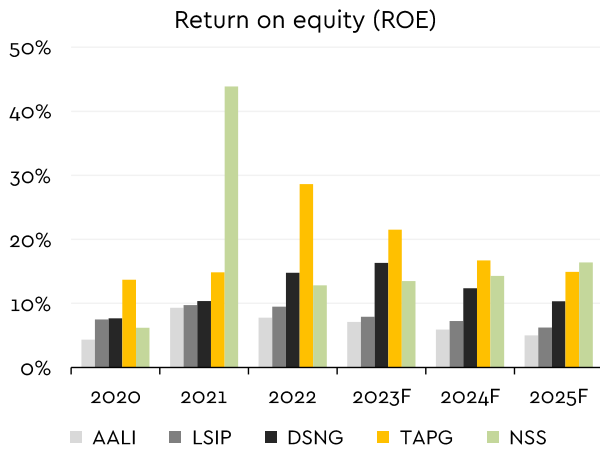
NSS Profitability Trend



Source: Nusantara Sawit Sejahtera, Sucor Sekuritas estimates

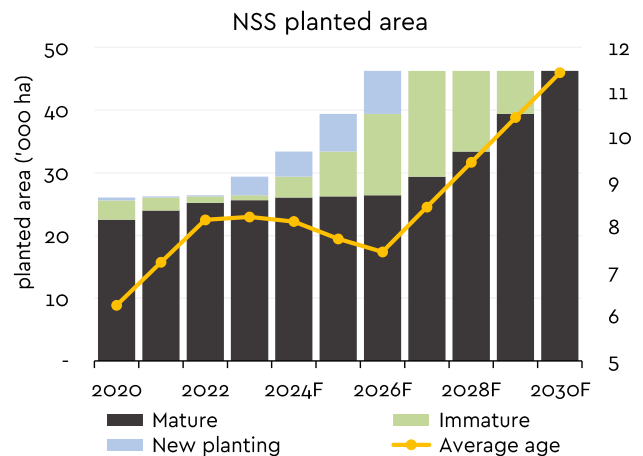
NSS's young age profile coupled with aggressive new planting activities should continue to deliver robust output growth in coming years. This should help offset risk of palm oil price volatility although we expect domestic palm oil price to have stabilized at current range of USD700–900/ton under the existing export levy and tax policies.

Fig. 24: NSS delivers one of the highest ROE among peers



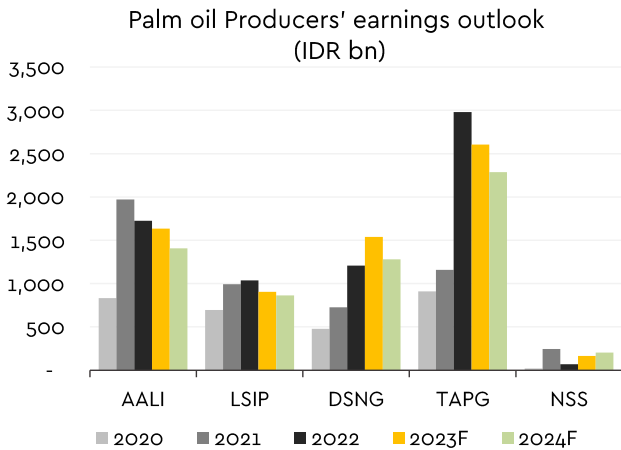
Source: Respective companies, Sucor Sekuritas estimates

Fig. 26: Rapidly expanding planted area with aggressive new planting



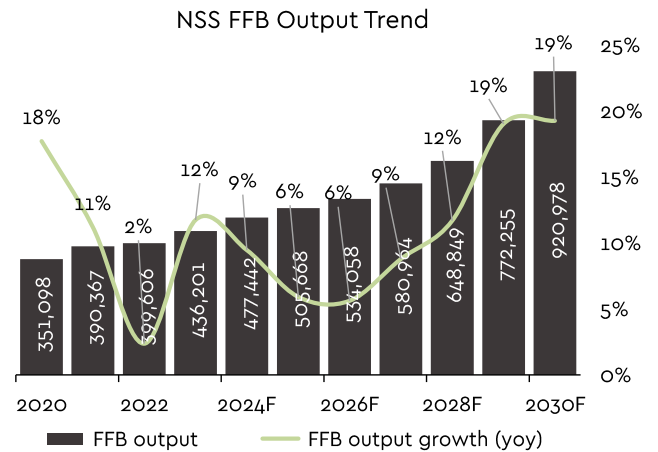
Source: Nusantara Sawit Sejahtera, Sucor Sekuritas estimates

Fig. 25: NSS to see strong earnings growth in 2023 – 24F



Source: Respective companies, Sucor Sekuritas estimates

Fig. 27: FFB growth to improve further in 2027F onwards



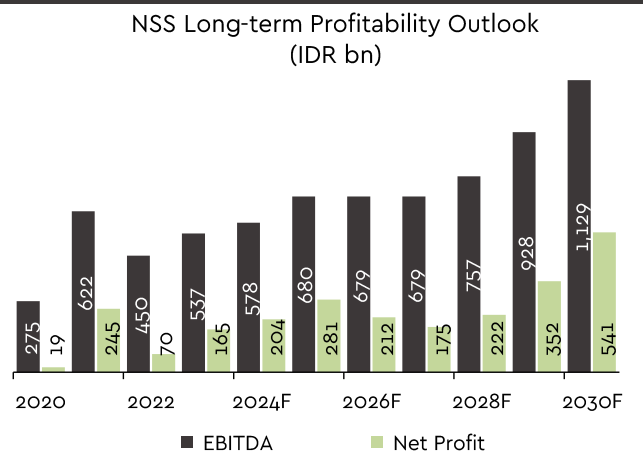
Source: Nusantara Sawit Sejahtera, Sucor Sekuritas estimates

Room for further earnings expansion from 2027F onwards

NSS has the potential to boost its financial performance in next 3-4 years, assuming the company can successfully execute its new planting strategy. The company estimates that it will add up to 20,000 ha of new planted area in the next four years (Fig. 24), nearly doubling its total planted area to 46,200 ha by 2026F.

As oil palm trees usually mature and start yielding when they turn four years, we could expect NSS's FFB output growth to improve strongly from 2027F onwards with growth mainly coming from the newly planted area. The higher output volume should also translate into better earnings performance.

Fig. 28: Earnings is estimated to pick up further starting 2027F onwards



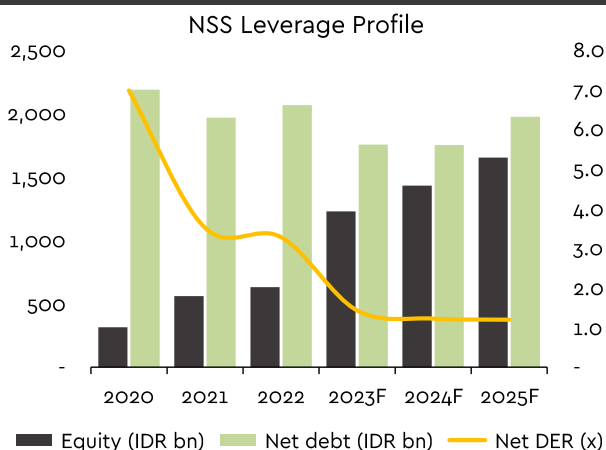
Source: Nusantara Sawit Sejahtera, Sucor Sekuritas estimates

Strong balance sheet position

The company has shown meaningful improvement in its leverage profile with net debt-to-equity ratio (DER) declined significantly to 3.3x in 2022, sharply lower compared to 7.0x in 2020. The improvement largely came from strong earnings performance in previous years from the high palm oil prices which effectively boost its overall equity and net cash position.

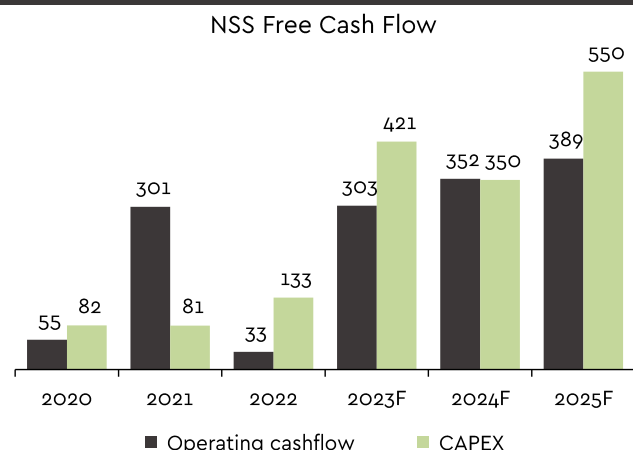
We expect the leverage profile to further improve massively this year with proceeds from the IPO coupled with strong financial performance expected for this year from better productivity and favorable selling prices. We project NSS's net DER to reach 1.4x in 2023F.

Fig. 29: Net DER to decline significantly in 2023F



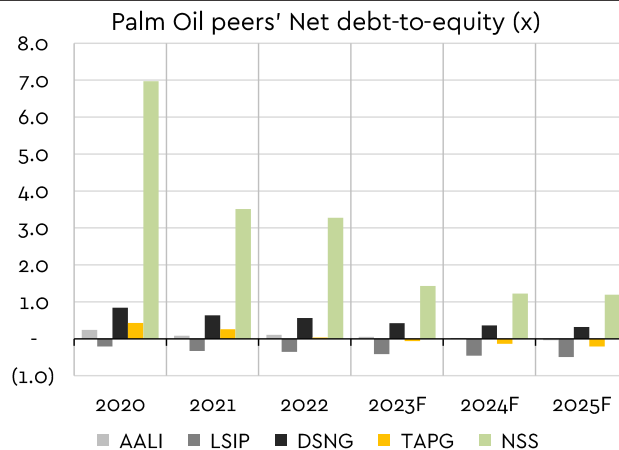
Source: Nusantara Sawit Sejahtera, Sucor Sekuritas estimates

Fig. 30: Strong cashflow to finance expansion



Source: Nusantara Sawit Sejahtera, Sucor Sekuritas estimates

Fig. 31: NSS leverage profile is slightly higher compared to peers



Source: Respective companies, Sucor Sekuritas estimates

Initiate BUY – TP: IDR164

We initiate BUY with TP of IDR164, based on USD13,000 forward EV/ha. We view NSS deserves a slight premium compared to peers given its uniquely young and sizeable plantation profile, which could potentially deliver strong multi-year output growth outperformance among other palm oil producers.

Our TP also implies 23.6x and 19.1x 2023–24F PE and 10.5x and 9.8x 2023–24F EV/EBITDA.

Risk to our call include: 1) lower-than-expected ASP, 2) weather uncertainty which could impact production/yield, and 3) changes in government regulations.

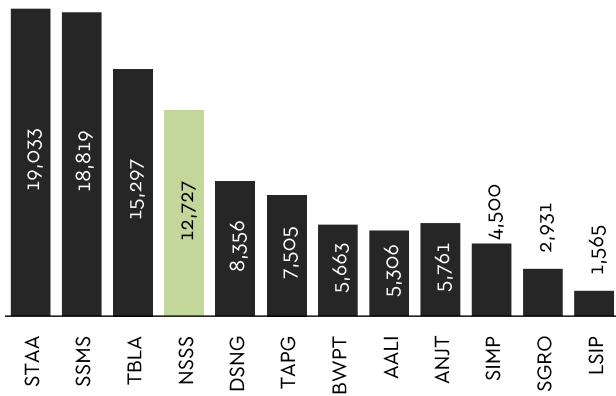
COMPARABLE COMPANY ANALYSIS

Company	Market Cap (USD bn)	PE (x)		EV/EBITDA (x)		ROE (%)		Div. yield (%)	EBITDA Margin (%)		EBITDA Growth (%)		Net DER (x)
		2023F	2024F	2023F	2024F	2023F	2024F		2023F	2024F	2023F	2024F	
INDONESIA – UPSTREAM PALM OIL PRODUCERS													
NSSS IJ	236	14.7	8.6	8.6	6.3	22.2	28.9	-	50.4	51.2	41.6	37.7	3.3
AALI IJ	968	12.2	10.9	5.6	5.5	5.9	5.8	4.9	13.9	14.3	(17.0)	2.8	0.1
LSIP IJ	451	7.5	7.8	1.8	1.7	7.9	7.1	5.1	33.7	33.9	0.8	0.7	(0.4)
DSNG IJ	402	7.1	6.2	4.7	4.4	10.7	11.1	5.5	25.4	25.9	(21.1)	6.9	0.6
TAPG IJ	799	6.9	6.5	5.1	5.0	16.3	15.6	9.6	27.7	25.6	(30.0)	2.5	0.0
Average		9.7	8.0	5.2	4.6	12.6	13.7	5.0	30.2	30.2	(5.1)	10.1	0.7
OVERSEAS – UPSTREAM PALM OIL PRODUCERS													
SDPL MK	6,640	17.9	19.7	9.2	9.6	9.8	8.6	3.2	21.1	20.5	(19.5)	(4.2)	0.3
FR SP	1,767	7.8	8.1	4.5	4.6	14.8	13.6	5.2	36.7	36.8	(23.8)	(0.9)	(0.1)
GENP MK	1,184	13.2	14.4	8.0	8.6	6.8	6.4	4.3	26.8	25.3	(22.3)	(6.5)	0.2
BAL SP	733	5.8	5.8	4.3	4.5	14.5	13.2	7.3	24.8	25.5	(36.8)	(6.0)	0.2
SOP MK	469	8.7	8.3	3.2	3.3	6.5	6.1	2.5	12.5	13.0	(43.4)	(1.3)	(0.2)
HAPL MK	331	12.8	12.7	4.8	4.9	6.4	6.0	5.3	34.4	33.2	(35.2)	(1.6)	(0.2)
KIML MK	388	17.9	14.4	10.1	10.1	10.8	11.0	5.1	10.1	10.1	(47.6)	(0.3)	(0.4)
Average		12.0	11.9	6.3	6.5	9.9	9.3	4.7	23.8	23.5	(32.7)	(3.0)	(0.0)
OVERSEAS – INTEGRATED PALM OIL PRODUCERS													
WIL SP	18,522	9.9	8.9	10.6	10.1	9.4	9.6	4.4	5.7	5.8	(8.5)	5.0	1.0
KLK MK	5,292	14.3	16.9	9.4	10.6	11.6	9.5	3.4	14.1	13.1	(19.1)	(10.5)	0.4
IOI MK	5,378	15.9	19.5	11.7	13.7	13.7	10.9	3.4	16.3	14.6	(8.4)	(15.2)	0.2
GGR SP	2,493	6.8	7.3	4.0	4.1	13.1	12.3	5.1	11.3	11.1	(35.7)	(3.0)	0.4
Average		11.7	13.2	8.9	9.6	11.9	10.6	4.1	11.9	11.1	(17.9)	(5.9)	0.5

Source: Bloomberg, Sucor Sekuritas estimates

Fig. 32: NSS valuation estimated at USD8,764 – 11,466 EV/ha

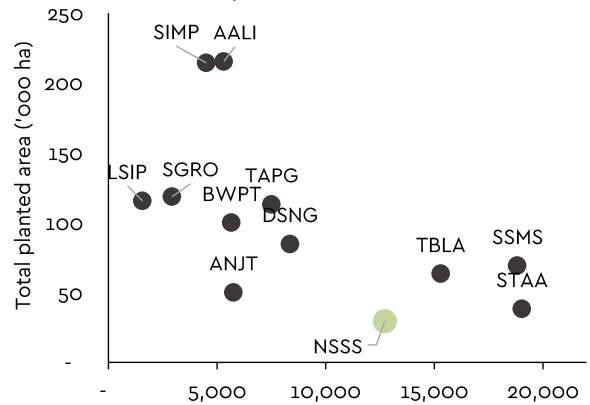
EV/nuclues ha (USD)



Source: Respective companies, Bloomberg, Sucor Sekuritas estimates

Fig. 34: Our EV/ha range is relatively similar to peers

EV/planted nuclues (USD/ha)



Source: Respective companies, Bloomberg, Sucor Sekuritas estimates

Fig. 33: Peers are trading at an average of 6.3x forward PE

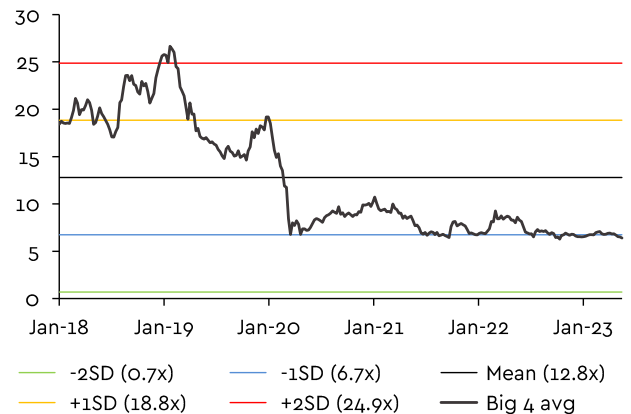
Palm Oil peers forward PE (x)



Source: Respective companies, Bloomberg, Sucor Sekuritas estimates

Fig. 35: Palm oil sector is trading at -1.5SD below 5-year mean

Palm Oil Sector Forward PE



Source: Bloomberg, Sucor Sekuritas estimates

Company Profile

Nusantara Sawit Sejahtera (NSS) is a medium-sized upstream palm oil producer operating in Central Kalimantan. The company focuses on producing upstream palm oil products including fresh fruit bunches (FFB), crude palm oil (CPO), and palm kernels (PK).

NSS Group was established in 2008 and first planted its oil palm tree in 2009 with a 319-ha area. The company has now grown into a prominent player in the industry and currently controls 27,246 ha of planted area (26,434 ha of planted nucleus and 812 ha of plasma area) in 2021.

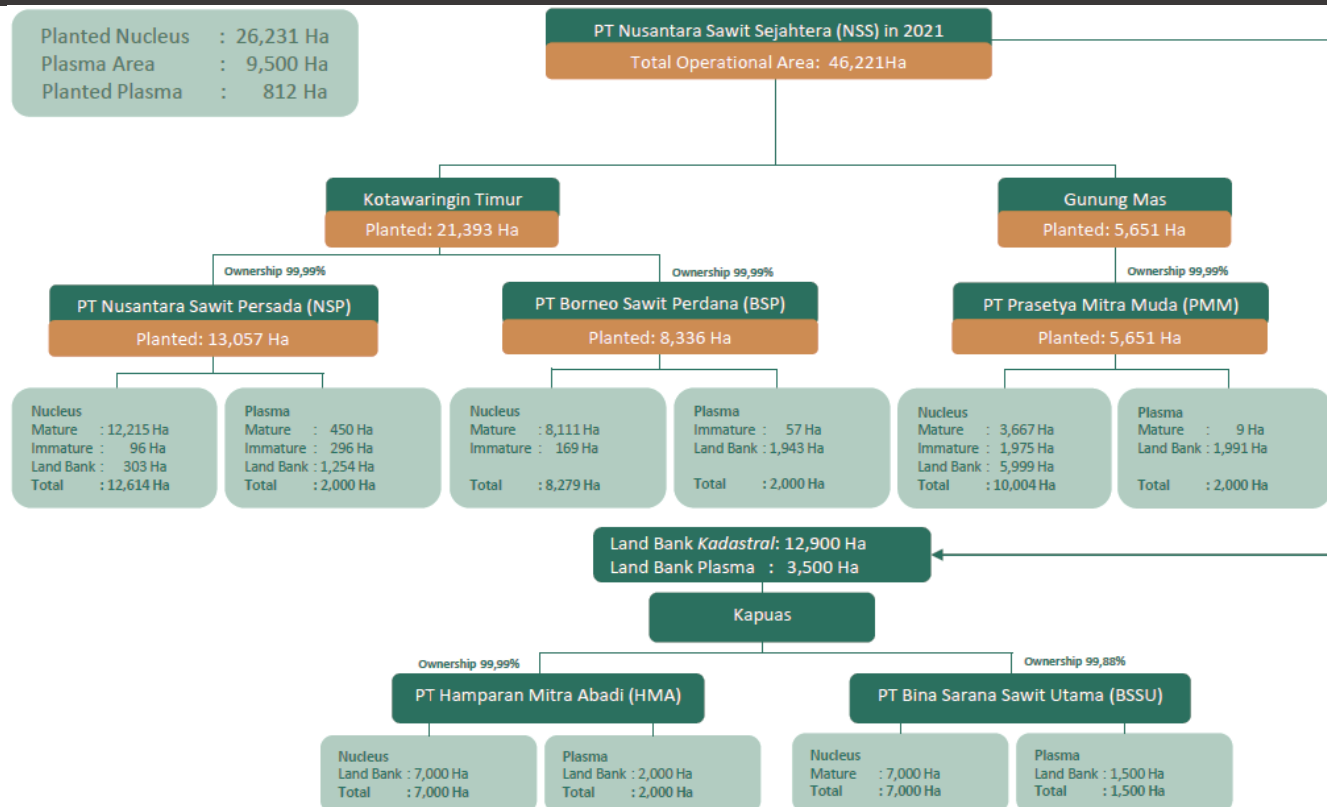
The company is among the youngest upstream palm oil producers with average age of below eight years in 2021 with the majority of planted area recently coming into maturity and entering their prime productive age. This will allow the company to generate above-average organic production growth in the industry as productivity yield of its oil palm tree is estimated to grow significantly over the coming years.

All of the company's oil palm estates are located in Central Kalimantan and is divided into five wholly-owned subsidiaries. Two of its largest subsidiaries, PT Nusantara Sawit Persada (NSP) and PT Borneo Sawit Perdana (BSP), are located in Kotawaringin Timur regency and manage 13,057 and 8,336 ha of planted oil palm area, respectively. Both entities have an average age of nine years and seven years, respectively.

The company also recently expanded its planted area in Gunung Mas regency, with total planted area reaching 5,661 ha as of 2021, through subsidiary PT Prasetya Mitra Muda (PMM). PMM estate just came into maturity in recent years and currently has an estimated age profile of four years.

On top of that, the company also has nearly 20,000 ha of landbank scattered between PMM and its other two subsidiaries, PT Hambaran Mitra Abadi (HMA) and PT Bina Sarana Sawit Utama (BSSU), which are located in Kapuas regency, Central Kalimantan.

Fig. 36: Company structure, operating subsidiaries and plantation profile



Source: Nusantara Sawit Sejahtera, Sucor Sekuritas

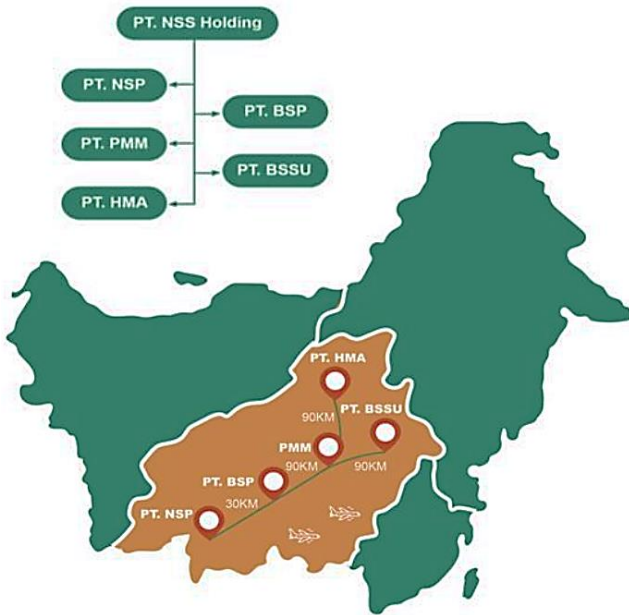
Fig. 37: NSS estates are strategically located near two major cities (Palangkaraya and Sampit)



Airport Jakarta – Sampit ± 1.5 Hours
Airport Jakarta – Palangkaraya ± 1.5 Hours



Airport Sampit – NSP/BSP ± 45 minutes - 1.5 Hours
BSP – PMM ± 2.5 Hours
Airport Palangkaraya – PMM ± 1.5 Hours



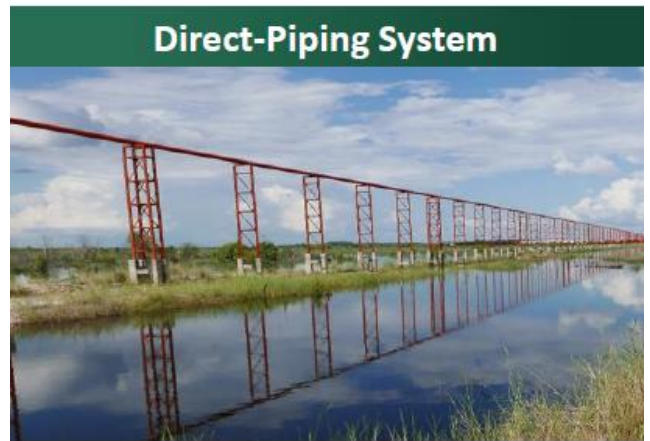
Source: Nusantara Sawit Sejahtera, Sucor Sekuritas

NSS currently has one palm oil mill in operation with processing (input) capacity of 60 ton per hour (tph) or 360,000 ton annualized and is strategically located within its own PT Nusantara Sawit Persada (NSP) estate in Kotawaringin Timur regency, Central Kalimantan.

The mill and its estate are easily accessible from two primary cities of Palangkaraya and Sampit (±45-90 mins drive). The mill is also located near Mentaya river (one of the main rivers in the province), which enables the company to build a 1.5-km direct piping system to transport CPO produced at the mill directly to tanker. The direct piping system helps to reduce the overall logistic costs.

The company is also currently developing its second palm oil mill with same processing capacity of 60 tph and is located within its subsidiary PT Borneo Sawit Perdana (BSP) estate. Ground-breaking process was initiated in August 2021, and the mill is estimated to assume operation earliest by 1Q23. Note that the new mill will also have direct piping system to allow efficient transport of CPO output from mill to nearest special terminal at relatively low distribution costs (eliminating the need for land transportation).

Fig. 38: Direct piping system from mill to special terminal



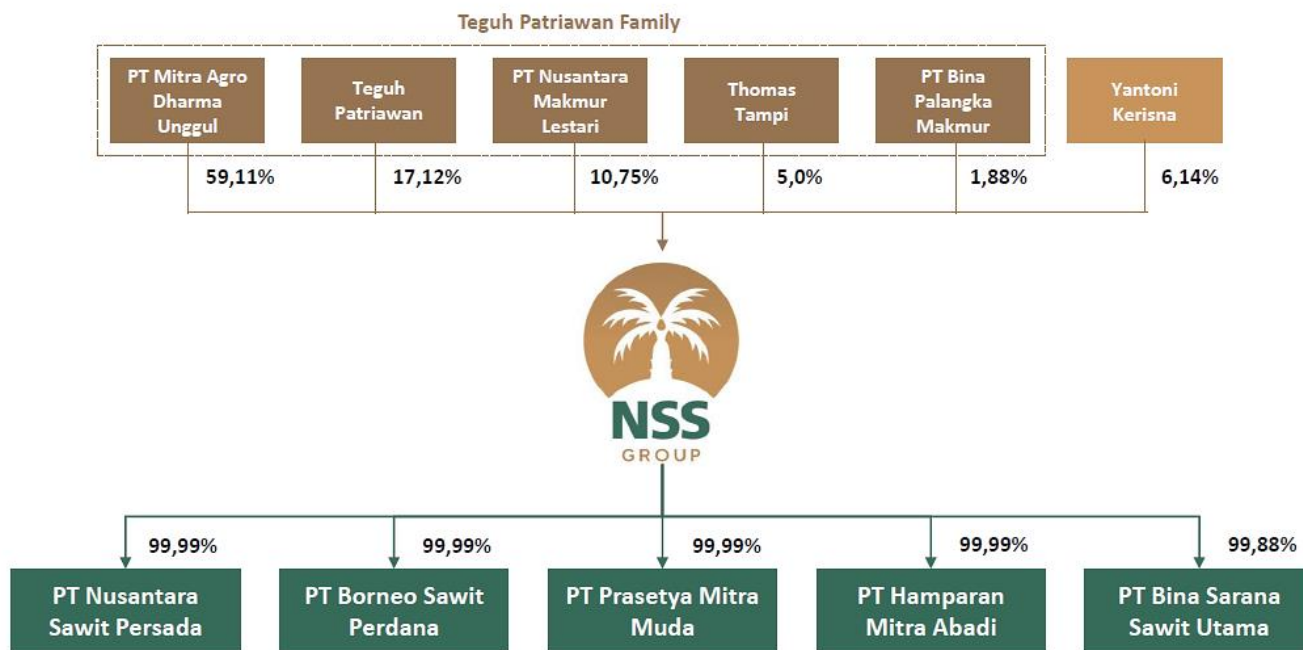
Source: Nusantara Sawit Sejahtera, Sucor Sekuritas

Fig. 39: Company milestone



Source: Nusantara Sawit Sejahtera, Sucor Sekuritas

Fig. 40: NSS shareholding structure



Source: Nusantara Sawit Sejahtera, Sucor Sekuritas

Fig. 41: NSS Board of Commissioner and Board of Director

Board Of Commissioner

 <p>Ester H. Satyono President Commissioner</p> <p>40 years experience in plantation and fishery industry</p> <p>Graduated with a Bachelor of Science from University of San Francisco</p>	 <p>Robiyanto Commissioner</p> <p>14 years experience in Capital Market and Environmental Practitioners</p> <p>Graduated with a Doctoral Degree in Finance and Environmental Science from Universitas Diponegoro and Soegijapranata Catholic University</p>	 <p>Rachmat Pambudy Independent Commissioner</p> <p>40 years experience in agribusiness Academic and Practitioners</p> <p>Graduated with a Doctoral Degree in Development Extension Studies at IPB</p>
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Board Of Director

 <p>Teguh Patriawan President Director</p> <p>40 years experience in palm plantation and forestry</p> <p>Graduated with a Master Degree from PPM Institute and Bachelor Degree in Forestry from Gadjah Mada University</p>	 <p>Kurniadi Patriawan Director</p> <p>9 years experience in palm plantation industry</p> <p>Graduated with a Bachelor's degree from the University of California</p>	 <p>Miniwati Kasmita Director</p> <p>25 years experience in financials and plantation industry</p> <p>Graduated with a Bachelor's degree in Economics from Unika Atmajaya</p>
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Source: Nusantara Sawit Sejahtera, Sucor Sekuritas

Appendix

Fig 42: Nusantara Sawit Sejahtera (NSS) Key Financial Highlights

Income statement (IDR bn)	2021	2022	2023F	2024F	2025F
Revenue	1,147	1,134	1,277	1,347	1,709
COGS	(576)	(728)	(787)	(809)	(1,063)
Gross Profit	571	406	490	538	646
Operating expenses	(65)	(80)	(87)	(99)	(118)
Operating Profit	505	326	403	439	528
EBITDA	622	450	537	578	680
Interest expenses, net	(204)	(189)	(196)	(180)	(185)
Other income (expenses)	33	(13)	5	3	17
Pre-tax Profit	334	124	212	262	360
Tax expenses	(89)	(54)	(47)	(58)	(79)
Minority interest	(0)	0	-	-	-
PATMI	245	70	165	204	281
EPS (IDR)	12	3	7	9	12
DPS (IDR)	-	-	-	-	-
Balance sheet (IDR bn)	2021	2022	2023F	2024F	2025F
CCE	191	40	350	142	265
Receivables	24	33	25	26	34
Inventories	90	160	129	121	172
Fixed Assets	542	623	803	812	820
Bearer Plants	1,915	1,846	1,953	2,155	2,546
Others	214	332	335	353	387
Total Assets	2,975	3,035	3,596	3,608	4,224
ST Borrowings	-	-	-	-	-
Payables	140	178	173	189	238
LT Debt	2,156	2,105	2,102	1,891	2,175
Others	120	122	96	98	100
Total Liabilities	2,416	2,405	2,370	2,178	2,513
Shareholders equity	1,012	1,012	1,443	1,443	1,443
Minority Interests	0	0	0	0	0
Retained earnings	(453)	(382)	(217)	(13)	268
Others	-	-	-	-	-
Total Equity	559	630	1,226	1,430	1,711
Total Liabilities & Equity	2,975	3,035	3,596	3,608	4,224
Cash Flow Statement (IDR bn)	2021	2022	2023F	2024F	2025F
Net Income	245	70	165	204	281
Depreciation & Amortization	110	120	134	139	152
Changes in NWC	(97)	(53)	9	15	(37)
Others	42	(104)	(5)	(6)	(7)
CF from Operation	301	33	303	352	389
CAPEX: Fixed Assets	(32)	(111)	(221)	(50)	(50)
CAPEX: Bearer Plants	(49)	(23)	(200)	(300)	(500)
CF from Investing	(81)	(133)	(421)	(350)	(550)
Changes in debt, net	30	(51)	(3)	(210)	284
ST borrowings	(100)	-	-	-	-
Dividend paid	-	-	-	-	-
Issuance & Others	1	1	431	-	-
CF from Financing	(70)	(51)	428	(210)	284
Changes in CCE	150	(151)	309	(208)	123
Beginning Balance	42	191	40	350	142
Ending Balance	191	40	350	142	265
Key ratios (%)	2021	2022	2023F	2024F	2025F
Gross margin	49.8	35.8	38.4	39.9	37.8
Operating margin	44.1	28.7	31.5	32.6	30.9
EBITDA margin	54.2	39.7	42.0	42.9	39.8
Net margin	21.4	6.2	12.9	15.2	16.4
Return on Asset (ROA)	8.2	2.3	4.6	5.7	6.6
Return on Equity (ROE)	43.9	11.1	13.5	14.3	16.4
Dividend yield	-	-	-	-	-
P/E (x)	12.2	42.6	21.3	17.2	12.5
P/BV (x)	5.4	4.7	2.9	2.5	2.1
EV/EBITDA (x)	8.8	12.4	9.8	9.1	8.0
Interest coverage (x)	2.5	1.7	2.0	2.4	2.8
Net Debt-to-Equity (x)	3.5	3.3	1.4	1.2	1.1
Current Ratio (x)	1.1	1.0	1.5	1.0	1.3
Revenue growth	53.5	(1.1)	12.6	5.5	26.8
Operating Profit growth	208.3	(35.5)	23.5	9.0	20.3
EBITDA growth	126.2	(27.6)	19.2	7.7	17.6
Net Profit growth	1,162.5	(71.4)	135.2	23.6	37.5

Source: Nusantara Sawit Sejahtera, Sucor Sekuritas estimates

Sucor Sekuritas rating definition, analysts certification, and important disclosure

Ratings for Sectors

Overweight	: We expect the industry to perform better than the primary market index (JCI) over the next 12 months.
Neutral	: We expect the industry to perform in line with the primary market index (JCI) over the next 12 months.
Underweight	: We expect the industry to underperform the primary market index (JCI) over the next 12 months

Ratings for Stocks

Buy	: We expect this stock to give return (excluding dividend) of above 10% over the next 12 months.
Hold	: We expect this stock to give return of between -10% and 10% over the next 12 months.
Sell	: We expect this stock to give return of -10% or lower over the next 12 months

Analyst Certification

The research analyst(s) primarily responsible for the preparation of this research report hereby certify that all of the views expressed in this research report accurately reflect their personal views about any and all of the subject securities or issuers. The research analyst(s) also certify that no part of their compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this research report.

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