

PT Nusantara Sawit Sejahtera Tbk (NSSS)

Investor Newsletter: 2Q23 Results Update



Volume 3: 28 July 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.

2Q23 Revenue Backed by Strong Sales Volume

2Q23 CPO sales volume spiked +24.5% QoQ, +15.4% YoY along with PK Sales Volume +32.0% QoQ, +35.3% YoY. This resulted in stronger 2Q23 revenue of IDR289bn (+18.7% QoQ) despite continued decelerating trend in CPO ASP averaging IDR10,682/kg (-6.0% QoQ, -10.8% YoY). Crude Palm Oil contributed 85.2% of NSSS' 2Q23 revenue followed by Palm Kernel at 8.6% and 6.2% Fresh Fruit Bunch.

NSSS' 2Q23 Gross Profit Jumped +115.3% QoQ

On the profitability side, NSSS' 2Q23 Gross Profit jumped to IDR67bn (+115.3% QoQ) on the back of lower fertilizer cost (-10.8% QoQ) although the company recorded quarterly higher salary expenses +101.5% on Lebaran seasonality. This led to 2Q23 Gross margin improvement to 23.2% from 12.8% and higher EBITDA margin to 30.8% from 6.8% in 1Q23.

Positive Volume Momentum to Continue in 2H23

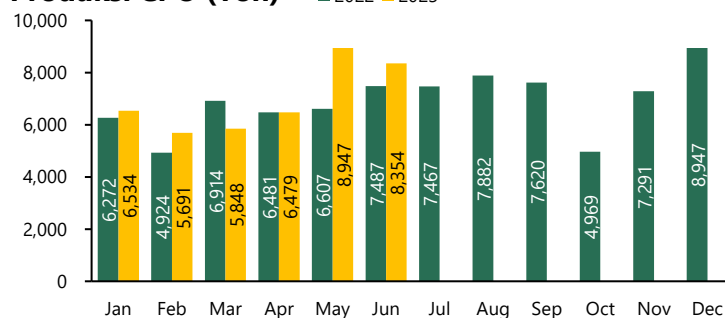
NSSS' 2Q23 FFB Nucleus production reached 116k tons (+29.4 QoQ, +21.0 YoY) bringing 1H23 figure to 206k tons (+14.4% YoY) helped by its young age profile of 8.1 years. This is on target to reach management's conservative FY23 aim of 434k tons (+8.6% YoY) or 2H23 volume of 228k tons (+3.8% YoY).

	2Q23	1Q23	2Q22	QoQ	YoY	6M22	6M23	YoY
Profit and Loss	(IDRbn)			(%)	(%)	(IDRbn)		(%)
Revenue	289	243	308	18.7	(6.2)	595	532	(10.6)
COGS	(222)	(212)	(189)	4.5	17.2	(311)	(434)	39.4
Gross Profit	67	31	119	115.3	(43.5)	284	98	(65.4)
GPM (%)	23.2	12.8	38.6	-	-	47.7	18.5	-
EBITDA	89	17	91	437.7	(2.3)	293	106	(63.9)
EBITDA Margin (%)	30.8	6.8	29.6	-	-	49.2	19.8	-
EBIT	57	(15)	60	n.a.	(6.3)	230	41	(82.0)
EBIT Margin (%)	19.6	n.a.	19.6	-	-	38.7	7.8	-
Pre-tax Profit	12	(54)	(2)	n.a.	n.a.	122	(42)	n.a.
Net Profit	4	(61)	(8)	n.a.	n.a.	86	(57)	n.a.
NPM (%)	1.4	n.a.	n.a.	-	-	14.5	n.a.	-

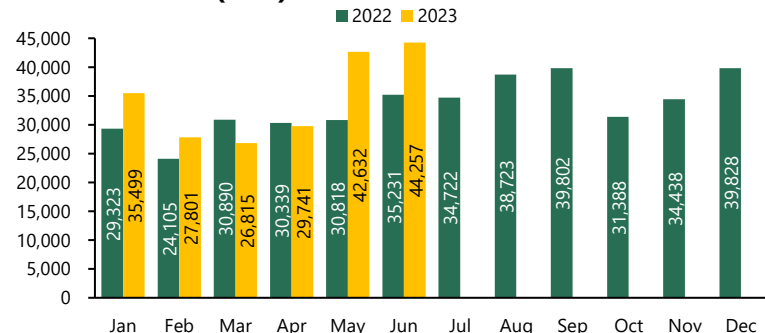
Plantation Performance	2Q23	1Q23	2Q22	QoQ (%)	YoY (%)	6M22	6M23	YoY (%)
FFB Production (tos)								
Nucleus (tons)	116,630	90,115	96,388	29.4	21.0	180,706	206,745	14.4
Plasma (tons)	1,614	1,035	1,021	56.0	58.1	1,759	2,648	50.6
FFB Yield (%)	4.6	3.5	3.8	-	-	7.2	8.1	-

Mill Performance	2Q23	1Q23	2Q22	QoQ (%)	YoY (%)	6M22	6M23	YoY (%)
Processed FFB (tons)	108,320	83,963	97,409	29.0	11.2	179,192	192,283	7.3
CPO Production (tons)	23,780	18,073	20,576	31.6	15.6	38,686	41,853	8.2
PK Production (tons)	4,996	3,697	3,699	35.1	35.1	7,097	8,694	22.5
CPO OER (%)	22.0	21.5	21.1	-	-	21.6	21.8	-
KER (%)	4.6	4.4	3.8	-	-	4.0	4.5	-

Produksi CPO (Ton)



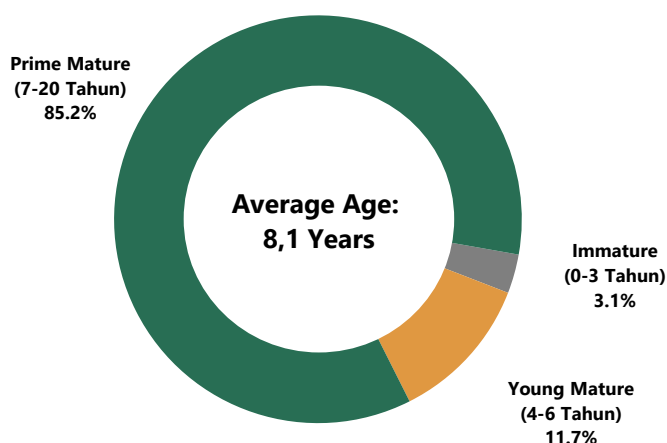
Produksi TBS (Ton)



2nd CPO Mill Operation in 4Q23 to Raise Volumes

In 2Q23, NSSS' FFB processed escalated +29.0% QoQ and +11.2% YoY, resulting in significant CPO production increase, reaching 23k tons, up 31.6% QoQ and 15.6% YoY, attributed to higher CPO extraction rate of 22.0%. On 1H23 nucleus FFB yield, NSSS produced 4.6 tons per ha, with PK extraction rate at 4.6%. Looking ahead, management expects higher production in October 2023, coinciding with the newly operated second CPO mill.

Age Profile (per July 2023)



Newly Planted Areas

In 2Q23, NSSS increased its newly planted area by 90ha on its ready-to-use landbank, resulting in total planted area (including plasma) of 27,586ha. In 2H23, the Company expects to reclassify 1,137ha of additional immature planted area to mature area.

Net Gearing to Substantially Improve by FY24

As at the end of July 2023, total assets increased +12.2% YTD to IDR3.4tn, stemming from the ongoing construction of the Company's second CPO Mill with a capacity of 60 tons per hour under its subsidiary company, PT Borneo Sawit Perdana (BSP). NSSS' recorded its total liabilities in 6M23 of IDR2.4tn (-0.1% YTD), while total equity rose +59.3% YTD to IDR1.0tn. With additional equity of IDR453bn from its IPO proceeds in 1Q23 and its Warrant exercise period commencing in September 2023, NSSS' expects net gearing to reach 170% in FY23, before substantially improving to 73% in FY24.

Total Planted Area	2020	2021	2022	6M23	YTD (%)
New Planting (ha)					
Nucleus (ha)	463	153	163	90	(45.2)
Plasma (ha)	86	152	68	232	238.5
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	880	(25.9)
Plasma (ha)	210	354	321	529	65.0
Total Area (ha)	26,738	27,033	27,265	27,586	1.2

Balance Sheet	2022 (IDRbn)	6M23 (IDRbn)	YTD (%)
Cash and equivalents	40	296	631.6
Trade receivables	30	29	(4.5)
Inventories	160	203	27.0
Fixed assets	623	727	16.6
Biological assets	1,846	1,809	(2.0)
Other assets	335	342	2.1
Total Assets	3,035	3,406	12.2
Return on assets (%)	2.3	(1.7)	-
Interest bearing liabilities	2,105	2,113	0.4
Trade payables	124	146	17.0
Other liabilities	176	143	(18.7)
Total Liabilities	2,405	2,402	(0.1)
Net gearing (%)	327.6	181.0	-
Minority interest	0	0	(100.0)
Total Equity	630	1,004	59.3
Return on equity (%)	11.1	(5.7)	-

For more information, please contact:

Evelyn Satyono

Head of Investor Relations

Tel: +62 21 8354045

Mobile: +62 8111080610

Email: investor.relations@nssgroup.id

Website: <https://nssgroup.id/>