



ANJ

INVESTOR NEWSLETTER

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Palm Oil Mill at PT KAL, Ketapang, Kalimantan Barat
Photo: Corporate Communications

9M18 OPERATIONAL UPDATE

PT Austindo Nusantara Jaya Tbk (“ANJT” or “the Company”) announced its operational performance for the nine-month period ended 30 September 2018 (9M18).

The Company ended the nine-month of 2018 by producing a total 584,195 mt of Fresh Fruit Bunches (FFB), an increase of 13.4% over last year’s result of 515,263 mt of FFB. Our North Sumatra I estate and our newly mature West Kalimantan estate continued their positive trend in FFB production.

In line with the increase in FFB production and FFB bought from third parties, Crude Palm Oil (CPO) and Palm Kernel (PK) production also increased by 24.9% and 34.2% to 186,914 mt and 40,823 mt respectively in 9M18. Meanwhile, the Company also reported an increase in CPO and PK sales volumes by 20.4% and 39.4% to 173,459 mt and 40,250 mt in 9M18 compared to 144,100 mt and 28,883 mt respectively in 9M17.

Despite of the replanting program in Belitung Island and North Sumatera I estates, the production in these two estates is better than last year due to supportive weather condition last year and this year.

Table 1 : Production and Sales

	9M18	9M17	Change
FFB Production (tonnes)			
FFB from our estates	584,195	515,263	13.4%
Belitung Island	184,807	174,207	6.1%
North Sumatra I	150,949	94,659	59.5%
North Sumatra II	149,390	161,394	-7.4%
West Kalimantan	99,049	85,003	16.5%
FFB bought from third parties	289,105	171,719	68.4%
Total FFB processed	873,300	686,982	27.1%
FFB YIELD (tonnes per hectare)			
Average yield	16.30	13.40	21.6%
Belitung Island	17.90	13.90	28.8%
North Sumatra I	16.30	9.70	68.0%
North Sumatra II	19.30	20.40	-5.4%
West Kalimantan	11.80	10.40	13.5%
CPO Production (tonnes)			
Total production	186,914	149,672	24.9%
Belitung Island	56,977	46,197	23.3%
North Sumatra I	50,456	31,640	59.5%
North Sumatra II	45,773	46,681	-1.9%
West Kalimantan	33,708	25,154	34.0%
Palm Kernel production	40,823	30,421	34.2%
Sales (tonnes)			
CPO Sales	173,459	144,100	20.4%
Belitung Island	51,900	42,500	22.1%
North Sumatra I	49,059	30,000	63.5%
North Sumatra II	44,000	45,600	-3.5%
West Kalimantan	28,500	26,000	9.6%
Palm Kernel sales	40,250	28,883	39.4%
PRODUCTIVITY			
Extraction Rate - CPO (Mixed)	21.39%	21.80%	-1.9%
CPO Average Selling Price (ex-mill) - USD	536	617	-13.1%
PK Average Selling Price (ex-mill) - USD	410	478	-14.2%

COMPANY PROFILE

PT Austindo Nusantara Jaya Tbk (“ANJT”) is an Indonesian agribusiness based food company committed to responsible development. The company is primarily engaged in the production of crude palm oil at its established and developing estates. ANJT also engages in the production of sago starch and edamame.

SHARE INFORMATION

# shares	3,354.2 mn
# free float	3,311.5 mn
# treasury stocks	42.7 mn
Listing date	8-5-2013
IPO Price	Rp 1,200
Highest	Rp 1,320
Lowest	Rp 830
Close	Rp 1,310

SHAREHOLDERS STRUCTURE

(as of 30 September 2018)	%
PT Austindo Kencana Jaya	41.372
PT Memimpin Dengan Nurani	41.372
George Santosa Tahija	4.801
Sjakon George Tahija	4.798
Yayasan Tahija	0.000
Public	7.657
*exclude treasury stocks	

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Although the FFB production is higher than last year, we have also increased our FFB purchase from third parties to optimize the mill utilization. Our FFB purchase from third parties for 9M18 is 68.4% higher than the same period last year (9M17).

During the nine-month of 2018 the CPO price trend continued to decline resulting in an Average Selling Price (ASP) for CPO in 9M18 of USD 536/mt, 13.1% lower than 9M17 ASP of USD 617/mt. Meanwhile the ASP for PK in 9M18 was USD 410/mt, lower than the ASP in 9M17 of USD 478/mt.

FINANCIAL HIGHLIGHTS

Our Financial Performance Results

Table 2: Consolidated Statements of Comprehensive Income

	9M18		9M17 ⁽²⁾		Change
	"USD Thousands"	"Rp. Millions" ⁽¹⁾	"USD Thousands"	"Rp. Millions" ⁽¹⁾	
Revenue	110,730	1,555,427	109,013	1,453,252	1.6%
Cost of revenue	(81,090)	(1,139,069)	(82,794)	(1,103,727)	-2.1%
Gross Profit	29,640	416,358	26,219	349,525	13.0%
Total operating (expenses) income, net	(24,458)	(343,564)	38,378	511,617	-163.7%
Operating Profit	5,182	72,795	64,597	861,143	-92.0%
Interest income	689	9,683	506	6,740	36.3%
Finance charges	(1,251)	(17,572)	(3,120)	(41,588)	-59.9%
Share of profit of equity-accounted investees	1,508	21,189	2,453	32,701	-38.5%
Profit Before Tax	6,129	86,094	64,436	858,996	-90.5%
Income tax expense	(6,520)	(91,592)	(22,920)	(139,798)	-71.6%
Net (loss)/profit for the period	(391)	(5,497)	41,516	719,198	-100.9%
Other comprehensive income	(11,884)	(166,930)	(4,145)	(41,455)	186.7%
Total Comprehensive (Loss) Income	(12,275)	(172,428)	37,371	677,743	-132.8%
EBITDA	24,434	343,220	81,222	1,082,770	-69.9%
EBITDA margin (%)	22.1%	22.1%	74.5%	74.5%	-70.4%

1) The translation of US Dollar amounts into the Indonesian Rupiah amounts are included solely for the convenience of the readers and has been made using the average of the exchange rates of Rp 14,047 to USD 1 for 9M18 and Rp 13,331 to USD 1 for 9M17.

2) After restatement for implementation of Indonesian Financial Accounting Standard (PSAK) No. 69, "Agriculture".



Nursery at PT SMM
Photo: Corporate Communications

Revenue from Sales and Service Concessions

In 9M18 ANJT posted total revenue USD 110.7 million, increased by 1.6% compared to the same period last year.

Palm oil and kernel sales contributed 98.8% of our total revenue or USD 109.5 million, an increase from USD 102.7 million or 94.2% of our total revenue in 9M17, mainly due to the increase in the CPO and PK sales volume. Our sago segment, which started commercial operation in Q1 2017, contributed USD 505.4 thousand to our total revenue in 9M18. Our renewable energy segment contributed USD 393.7 thousand in 9M18, lower than the USD 4.6 million in 9M17 due to the sale of PT Darajat Geothermal Indonesia (DGI), our subsidiary in the geothermal energy business, in September 2017. Meanwhile, our edamame sales revenue was USD 373.1 thousand, an increase of 27.8% from USD 291.9 thousand in 9M17.

Operating Income (Expenses) and Financial Charges

Our cost of revenue decreased by 2.1% to USD 81.1 million, mainly due to a decrease in palm oil production costs and a decrease in the provision for a decline in the value of our sago inventories.

The Company recorded an operating expense (net of operating income) of USD 24.5 million, a significant decrease from an operating income of USD 38.4 million in 9M17, which was primarily due to the recognition of a gain from the sale of our investment in PT Agro Muko in March 2017 and PT Darajat Geothermal Indonesia (DGI) in September 2017. Included in operating expense in 9M18 is foreign exchange loss of USD 5.2 million, an increase from foreign exchange loss of USD 0.3



Grading TBS at PT SMM
Photo: Corporate Communications

million in 9M17, due to the foreign exchange loss on the USD borrowings and the depreciation of the Rupiah against the US Dollar from Rp 13,548 by end of 2017 to Rp 14,929 by the end of 9M18. The Company utilized some USD borrowings for the West Papua palm plantation project which their bookkeeping records are maintained in Rupiah.

Our financial charges, which represent interest expenses on our borrowing, decreased to USD 1.3 million in 9M18 from interest expenses of USD 3.1 million in 9M17, due to partial repayments of our short-term and long-term loans utilized by our West Kalimantan estate. Financial charges on borrowings utilized for the West Papua project can be capitalized to the asset until the project starts the commercial operation.

Net (Loss) Income

The Company recorded a net loss of USD 391 thousand, compared to net income of USD 41.5 million in 9M17, due to the lower ASP for CPO and PK in 9M18 combined with the gains from the sale of certain investments in 9M17. These two factors also contributed to decreases in EBITDA from USD 81.2 million in 9M17 to USD 24.4 million in 9M18 and an EBITDA margin of 74.5% in 9M17 compared to 22.1% in 9M18.

Total Comprehensive (Loss) Income

The depreciation of the Rupiah against the US Dollar from Rp 13,548 by end of 2017 to Rp 14,929 by the end of 9M18 has reduced the net assets of some of the Company's subsidiaries which maintain their bookkeeping records in Rupiah by USD

11.8 million when their financial statements are translated from Rupiah to US Dollar. As a result, the Company reported a total comprehensive loss of USD 12.3 million compared to comprehensive income of USD 37.4 million in 9M17.

Our Assets and Liabilities Position

Table 3: Consolidated Statements of Financial Position

	30 Sep 18		30 Dec 2017 ⁽²⁾		Change
	"USD Thousands"	"Rp. Millions" ⁽¹⁾	"USD Thousands"	"Rp. Millions" ⁽¹⁾	
Current assets	99,304	1,482,505	90,758	1,229,592	9.4%
Non-current assets	496,671	7,414,794	483,237	6,546,891	2.8%
Total Assets	595,974	8,897,299	573,995	7,776,483	3.8%
Current liabilities	67,632	1,009,676	55,603	753,309	21.6%
Non-current liabilities	143,563	2,143,250	118,539	1,605,963	21.1%
Total Liabilities	211,195	3,152,926	174,142	2,359,272	21.3%
Equity attributable to the owners of the Company	383,817	5,730,001	399,370	5,410,659	-3.9%
Total Equity	384,779	5,744,373	399,853	5,417,210	-3.8%

1) The translation of US Dollar amounts into the Indonesian Rupiah amounts are included solely for the convenience of the readers and has been made using the Bank Indonesia middle rate as of 30 September 2018 of Rp 14,929 to USD and as of 31 December 2017 of Rp 13,548 to USD 1.

2) After restatement for implementation of Indonesian Financial Accounting Standard (PSAK) No. 69, "Agriculture".

As of 30 September 2018, total assets increased by 3.8% to USD 596.0 million, mainly due to the Company's continued investment in palm plantation development and a higher CPO inventory balance.

Total liabilities increased by 21.3% from USD 174.1 million to USD 211.2 million, primarily driven by a significant increase in both short term bank loans and long-term bank loans, in line with our continued investment for the development in West Papua and the edamame processing facility in East Java. The Company was still able to maintain prudent debt to equity and debt to asset ratios amounting to 0.55 and 0.35 respectively as at 30 September 2018.

Financing Facilities

As of 30 September 2018, ANJT and its subsidiaries collectively maintained bank loan facilities amounting to the equivalent of USD 241.6 million, comprising short-term loan facilities of USD 49.8 million and long-term loan facilities of USD 191.8 million.

The long-term loan facilities are intended for our West Papua palm plantation projects, our CPO mill at West Kalimantan, our replanting program in Belitung Island and our edamame processing facilities in East Java. The outstanding balance of the bank loans by the end of 9M18 was USD 156.5 million.

OTHER CORPORATE UPDATES

ISPO Certification

Our plantation companies operate under the sustainability standards for palm oil production within the framework of Indonesian Ministry of Agriculture regulations, known as Indonesian Sustainable Palm Oil ("ISPO") as well as the sustainability standards under the Roundtable on Sustainable Palm Oil (RSPO). In July 2018, our West Kalimantan Plantation obtained its ISPO certification, joining the other three producing plantations, Belitung Island, North Sumatra II and North Sumatra I that received the certifications earlier on in 2014, 2015 and 2016.

Tempo Country Contributor Award 2018

In August 2018, ANJT received an award for "The Most Tax-Friendly Corporate" at the Tempo Country Contributor Award 2018 for the most tax compliant company and the best contributor for tax payment to the country. The Tempo Country Contributor Award is held by Tempo Media Group.

Construction of New CPO and PKO Mills and Edamame Processing Facility

The construction of CPO and Palm Kernel Oil (PKO) mill at our West Papua estate has reached 46.5% completion stage at end of 9M18. The CPO mill will comprise of 2 lines with each line having a capacity of 45mt per hour. The first 45mt per hour line of the CPO mill and the PKO mill are expected to be ready for commissioning in Q3 2019, in time to process the first FFB production at our West Papua estates. The construction of our edamame processing facility in East Java is expected to be completed by end of 2018 and ready for commissioning in 2019 to process fresh edamame into frozen edamame for the export market.