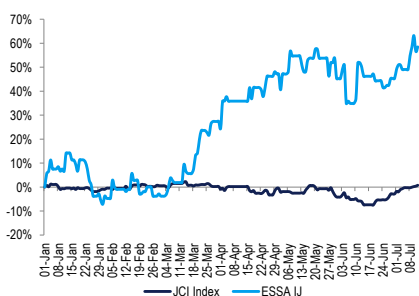


Stock Data

Target price	Rp700
Prior TP	Rp700
Current price	Rp840
Upside/downside	-17%
Shares outstanding (mn)	17,227
Market cap (Rp bn)	14,471
Free float	28%
Avg. 6m daily T/O (Rp bn)	29

Price Performance

	3M	6M	12M
Absolute	16.7%	48.7%	23.5%
Relative to JCI	16.1%	47.2%	15.9%
52w low/high (Rp)	492 – 865		



Major Shareholders

Chander Vinod Laroya	16.4%
Garibaldi Thohir	14.1%
Akraya International	7.5%

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2Q24 results: beat on better than expected ASP

- ESSA reported 1H24 NP of US\$21mn (+418% yoy), ahead of ours/cons forecast (57/54%) driven by better than expected ammonia ASP.
- ASP decline (-3% qoq) was surprisingly better compared to benchmark (-22% qoq); while other operational data was in-line.
- We maintain our Hold rating at unchanged TP of Rp700/sh on potential 3Q24F earnings decline, pending on further clarity from earnings call.

1H24 earnings was a beat on higher ammonia ASP

ESSA 1H24 NP of US\$21mn (+418% yoy) was ahead of ours/consensus estimates at 57/54% respectively. This was primarily driven by higher-than-expected ASP (106% of IPS). On a quarterly basis, 2Q24 earnings improved to US\$10mn (+2% qoq/+1102% yoy) on the back of less severe decline in ammonia ASP (-3% qoq) compared to benchmark (-22% qoq), in addition to higher ammonia sales volume (+9% qoq). Despite significantly lower ammonia margin (-567bps qoq), net margin only declined by 49bps qoq on lower opex (-18% qoq) and interest expense (-29% qoq).

Operational data in-line; ASP surprised

2Q24 ammonia sales volume remained strong at 198kt (+9% qoq) despite a decline in production volume to 172kt (-13% qoq) due to 5 days of unplanned maintenance in May24. ASP only declined by 3% qoq to US\$344/t, while the Middle-East (MDE) price benchmark declined by 22% qoq. We think that the tepid decline in ESSA's ASP was in-line with Fertecon ammonia prices benchmark which usually lags by c.1 month, and as such, we see a potential downside risk to 3Q24F ASP. Separately, higher LPG production in 2Q24 (+11% qoq) offsets lower ASP (-6% qoq). Overall, operational was in-line with our estimates (Fig. 2) with ammonia ASP being the exception (106% IPS).

ST downside risk as share price outperforms gas price

We have recently seen a divergence between gas and ammonia price in Mar-Apr24 (Fig. 3) as ammonia price tends to lag the movement in gas price. However, as ESSA share price rallied along with natural gas price vs. more earnings-reflective MDE ammonia price (Fig. 5) – likely due to limited natural gas equity plays in Indonesia, we see short-term downside risk to share price.

Maintain Hold rating with an unchanged TP of Rp700/sh

We maintain our earnings for now on the back of potential earnings decline in 3Q24F on lower ASP, pending further clarity from their earnings call and maintain our Hold rating with unchanged TP. ESSA is currently trading at 28x FY24F P/E (128% premium to regional peers' average). Downside risks include continued short-term downtrend in gas price attributed to lower demand in Asia, Europe, and US on still higher than average temperature.

Financial Summary (US\$ mn)	2022A	2023A	2024F	2025F	2026F
Revenue	731	345	296	296	296
EBITDA	349	124	120	120	119
Net profit	139	35	36	44	41
EPS growth	894%	-75%	5%	22%	-7%
ROE	26%	7%	7%	7%	6%
PER (x)	7.2	28.9	27.5	22.6	24.4
EV/EBITDA (x)	3.2	8.6	8.1	7.9	7.7
Dividend yield	N/A	N/A	N/A	N/A	N/A
IPS vs. consensus			95%	108%	74%

Source: Company, Indo Premier

Share price closing as of: 12 July 2024

Fig. 1: 1H24 financial summary

ESSA 1H24 results	1H24	1H23	yoy%	2Q24	2Q23	yoy%	1Q24	qoq%	IPS FY24F	% of IPS	Cons FY24F	% of cons
Revenue	152	168	-10%	78	80	-3%	74	5%	296	51%	355	43%
COGS	(99)	(137)	-27%	(53)	(68)	-22%	(47)	13%	(195)	51%	(241)	41%
Gross profit	52	31	68%	25	13	99%	27	-8%	101	52%	114	46%
Gross margin	34%	18%		32%	16%		37%		34%		32%	
Opex	(13)	(13)	0%	(6)	(5)	15%	(7)	-18%	(28)	46%	(33)	39%
EBIT	39	18	116%	19	8	155%	20	-4%	73	54%	81	49%
EBIT margin	26%	11%		25%	9%		27%		25%		23%	
Depreciation	23	23	-1%	12	12	-1%	12	0%	47	50%	47	49%
EBITDA	63	42	50%	31	19	60%	32	-3%	120	52%	128	49%
EBITDA margin	41%	25%		40%	24%		43%		40%		36%	
Interest income	2	1	132%	1	0	238%	1	49%	4	65%		
Interest expense	(6)	(12)	-49%	(2)	(5)	-54%	(3)	-29%	(14)	42%		
Others	(1)	(0)	23%	(1)	(1)	0%	0	-7667%				
Pre-tax profit	35	7	389%	18	2	774%	18	0%	62	56%	69	51%
Income tax	(8)	(3)	203%	(4)	(1)	579%	(4)	-2%	(14)	56%		
Minority interest	(7)	(1)	921%	(3)	(1)	476%	(3)	-3%	(12)	55%		
Net profit	21	4	418%	10	1	1102%	10	2%	36	57%	38	54%
Net margin	14%	2%		13%	1%		14%		12%		11%	

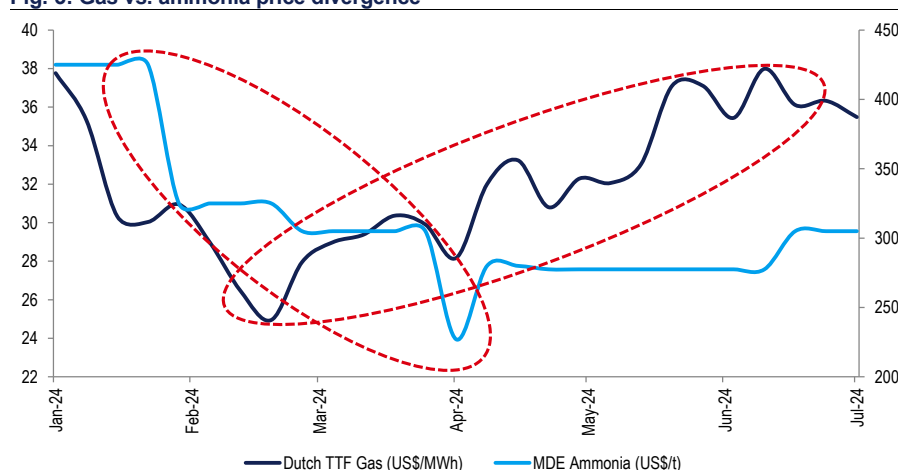
Source: Company, Indo Premier

Fig. 2: 1H24 operational summary

Operational summary	1H24	1H23	yoy%	2Q24	2Q23	yoy%	1Q24	qoq%	IPS FY24F	% of IPS	Cons FY24F	% of cons
Ammonia (k mt)	369	340	8%	172	197	-13%	197	-13%	777	47%	-	N/A
Utilization rate (%)	114%	105%		106%	122%		122%		120%		-	N/A
LPG (k mt)	35	37	-6%	18	19	-3%	16	11%	72	48%	-	N/A
Utilization rate (%)	120%	129%		127%	131%		114%		125%		-	N/A
Ammonia ASP (US\$/mt)	339	425	-20%	334	297	12%	344	-3%	320	106%	-	N/A
LPG ASP (US\$/mt)	602	597	1%	584	515	13%	622	-6%	600	100%	-	N/A

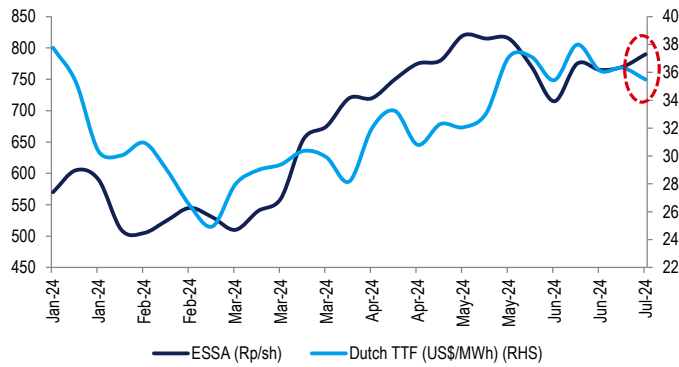
Source: Company, Indo Premier

Fig. 3: Gas vs. ammonia price divergence



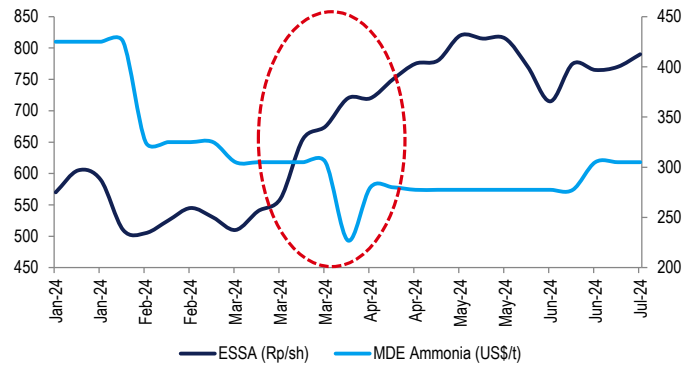
Source: Bloomberg, Indo Premier

Fig. 4: ESSA vs. gas price



Source: Bloomberg, Indo Premier

Fig. 5: ESSA vs. ammonia price



Source: Bloomberg, Indo Premier

Fig. 6: Peers comparison table

Company name	Ticker	Current market cap (US\$m n)	EV/Sales			EV/EBITDA			P/E		
			FY24F	FY25F	FY26F	FY24F	FY25F	FY26F	FY24F	FY25F	FY26F
ESSA INDUSTRIES INDONESIA TB	ESSA IJ Equity	998	3.3	3.2	3.1	8.1	7.9	7.7	27.5	22.6	24.4
YARA INTERNATIONAL ASA	YAR NO Equity	7,881	0.7	0.7	0.7	5.5	4.8	4.6	13.9	10.2	9.2
SAUDI BASIC INDUSTRIES CORP	SABIC AB Equity	64,063	1.7	1.6	1.7	10.9	7.9	7.5	40.6	18.5	15.3
CF INDUSTRIES HOLDINGS INC	CF US Equity	14,841	2.9	2.8	2.7	7.5	7.9	7.6	13.0	13.2	12.9
MOSAIC CO/THE	MOS US Equity	9,889	1.1	1.0	1.0	5.4	5.4	5.3	9.8	10.4	10.0
OCI NV	OCI NA Equity	5,593	1.7	1.5	1.3	8.8	6.9	5.6	205.2	29.4	20.9
NUTRIEN LTD	NTR CN Equity	25,883	1.3	1.2	1.2	6.2	6.1	6.0	12.4	11.6	11.4
Average			1.5	1.5	1.4	7.4	6.5	6.1	49.2	15.5	13.3
Average (excl. SABIC & OCI)			1.5	1.5	1.4	6.1	6.1	5.9	12.3	11.3	10.9

Source: Bloomberg, Indo Premier

Fig. 7: SOTP valuation summary

SOTP Valuation	US\$m n
Ammonia (70% ownership)	734
LPG	105
Asset value	838
Cash	98
Debt	161
Equity value	776
USD/IDR	15,500
Outstanding shares	17,227
Target price	700
Current share price	840
Upside	-17%

Source: Company, Indo Premier

Income Statement (US\$ mn)	2022A	2023A	2023F	2024F	2025F
Net revenue	731	345	296	296	296
Cost of sales	(390)	(242)	(195)	(195)	(201)
Gross profit	341	103	101	100	95
Opex	(39)	(26)	(28)	(28)	(28)
Operating profit	302	77	73	73	67
Net interest	(31)	(15)	(11)	4	4
Others	5	(0)	0	0	0
Pre-tax income	276	62	62	76	71
Income tax	(55)	(15)	(14)	(17)	(16)
Minority interest	(82)	(12)	(12)	(15)	(14)
Net Income	139	35	36	44	41

Balance Sheet (US\$ mn)	2022A	2023A	2023F	2024F	2025F
Cash & Equivalent	148	98	33	58	84
Receivable	62	38	32	32	32
Inventory	29	25	30	30	31
Other Current Assets	23	18	13	13	13
Total Current Assets	261	179	109	134	161
Fixed Assets - Net	528	493	448	482	511
Other non-Current Assets	42	24	24	24	24
Total non-current assets	570	517	472	506	535
Total Assets	831	695	581	640	696
Payable	23	12	10	10	10
ST Bank Loan	1	0	0	0	0
Current Portion of LT Loans	92	106	0	0	0
Other Current Liabilities	6	7	7	7	7
Total Current Liabilities	122	125	16	16	17
Long Term Loans	177	55	0	0	0
Other LT Liabilities	7	18	18	18	18
Total Liabilities	306	198	35	35	35
Equity	106	146	146	146	146
Retained Earnings	225	210	246	290	331
Others	22	23	23	23	23
Minority Interest	173	118	131	146	160
Total SHE + Minority Int.	525	498	546	606	661
Total Liabilities & Equity	831	695	581	640	696

Source: Company, Indo Premier

Cash Flow Statement (US\$ mn)	2022A	2023A	2023F	2024F	2025F
EBIT	302	77	73	73	67
Depr. & amortization	47	47	47	47	52
Net interest	(31)	(15)	(11)	4	4
Changes in working capital	(40)	17	(2)	(0)	(1)
Others	40	25	(9)	(17)	(16)
Cash flow from operating	318	151	98	106	107
Capital expenditure	(1)	(3)	(2)	(81)	(81)
Others	(10)	0	0	0	0
Cash flow from investing	(11)	(3)	(2)	(81)	(81)
Loans	(203)	(109)	(161)	0	0
Equity	3	41	0	0	0
Dividends	0	0	0	0	0
Others	(40)	(130)	0	0	0
Cash flow from financing	(240)	(198)	(161)	0	0
Changes in cash	67	(49)	(65)	25	26

Key Ratios	2022A	2023A	2023F	2024F	2025F
Gross margin	47%	30%	34%	34%	32%
Operating margin	41%	22%	25%	25%	23%
Pre-tax margin	38%	18%	21%	26%	24%
Net margin	19%	10%	12%	15%	14%
ROA	17%	5%	6%	7%	6%
ROE	26%	7%	7%	7%	6%
ROIC	47%	14%	14%	13%	12%
Acct. receivables TO (days)	12	9	9	9	9
Inventory TO (days)	6	6	6	6	6
Acct. payables TO (days)	17	20	20	20	20
Debt to equity	51%	32%	0%	0%	0%
Interest coverage ratio (x)	11.0	7.0	8.5	N/A	N/A
Net gearing	23%	13%	-6%	-10%	-13%

Source: Company, Indo Premier

INVESTMENT RATINGS

BUY	: Expected total return of 10% or more within a 12-month period
HOLD	: Expected total return between -10% and 10% within a 12-month period
SELL	: Expected total return of -10% or worse within a 12-month period

ANALYSTS CERTIFICATION

The views expressed in this research report accurately reflect the analyst's personal views about any and all of the subject securities or issuers; and no part of the research analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in the report.

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