

# ESSA Industries Indonesia

BUY (upgrade)

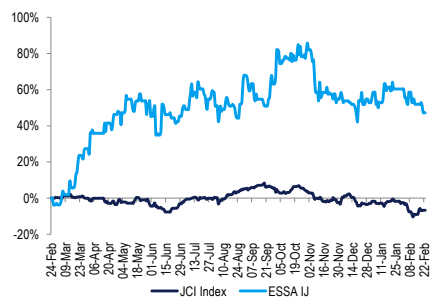
Company Update | Gas | ESSA IJ | 24 February 2025

## Stock Data

Target price	Rp1,100
Prior TP	Rp1,075
Current price	Rp760
Upside/downside	+45%
Shares outstanding (mn)	17,227
Market cap (Rp bn)	13,093
Free float	27%
Avg. 6m daily T/O (Rp bn)	14

## Price Performance

	3M	6M	12M
Absolute	-9.0%	-0.7%	43.4%
Relative to JCI	-2.8%	9.9%	50.9%
52w low/high (Rp)	510 – 985		



## Major Shareholders

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

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## 4Q24 results: below but upgrade to Buy amid elevated gas price

- ESSA reported FY24 NP of US\$45mn (+31% yoy), below ours but in-line with consensus FY24 forecast (at 92/99% respectively).
- 4Q24 NP stood at US\$12mn (-10% qoq) as ammonia production dropped by -8% qoq which offsets higher ASP during 4Q24 (+3% qoq).
- We upgrade our rating to Buy (from Hold) at a higher SOTP-based TP of Rp1,100 (from Rp1,075) as we rollover our DCF calculation.

### Soft volume offsets higher ASP; FY24 was in-line with consensus

ESSA FY24 NP of US\$45mn (+31% yoy) was below ours but in-line with consensus FY24F forecast at 92/99% respectively. Our NP forecast was below the actual FY24 NP due to lower than expected ASP (93% IPS) as we previously expected ASP to significantly increase in 4Q24 in-line with Middle East/Fertecon price (+26/+10% qoq). 4Q24 NP declined to US\$12mn (-10% qoq), as lower ammonia and LPG sales volume (-8/-2% qoq) more than offsets higher ASP (+3/+8% qoq). Below operating line, interest expense declined by 11% qoq on the back of US\$22mn debt repayment.

### Ammonia production declined on Senoro-Toili gas field maintenance

Ammonia production volume declined to 177kt in 4Q24 (-8% qoq; 109% utilization rate) due to maintenance in Senoro-Toili gas field which resulted in lower gas supply. Sales volume lagged behind at 162kt (-14% qoq), though management indicated that gap between production & sales shall be booked in 1Q25F. ASP rose to US\$368/t (+3% qoq), but underperformed MDE/Fertecon ammonia price benchmark (+26/+10% qoq). As a result, ammonia gross margin declined 123bps qoq to 36%. Overall, FY24 sales volume of 733kt (+1% yoy) was roughly in-line with our estimate (98% IPS), though ASP of US\$350/t (-15% yoy) was below (93% IPS).

### Higher LPG ASP offsets lower production

On LPG front, 4Q24 production slightly declined to 17kt (-2% qoq) on the back of lower C3/C4 component in ESSA's gas supply. However, ASP rose to US\$629/t (+8% qoq), in-line with CP Aramco price (+6% qoq). As a result, LPG gross margin expanded by 741bps qoq to 46%. Overall, FY24 sales volume of 69kt (-5% yoy) was below our estimate (95% IPS), though ASP of US\$604/t (+6% yoy) was in-line (101% IPS).

### Upgrade to Buy at higher TP of Rp1,100

We upgrade our rating to Buy (from Hold) as ESSA's share price is highly correlated to gas price and we view recent decoupling between share price & gas price as a good buying opportunity as we expect gas price to remain elevated this year amid tight supply ([report](#)). We introduced our FY27F earnings estimates and upgrade our SOTP-based TP to Rp1,100 (from Rp1,075 previously) as we rollover our DCF calculations. Lower than expected ammonia price is the main downside risks.

Financial Summary (US\$ mn)	2023A	2024A	2025F	2026F	2027F
Revenue	345	301	325	342	346
EBITDA	124	128	136	144	171
Net profit	35	45	57	58	60
EPS growth	-75%	31%	25%	2%	4%
ROE	7%	8%	9%	8%	8%
PER (x)	23.7	18.1	14.4	14.2	13.6
EV/EBITDA (x)	7.1	5.9	5.2	6.0	5.4
Dividend yield	N/A	N/A	N/A	N/A	N/A
IPS vs. consensus			142%	N/A	N/A

Source: Company, Indo Premier

Share price closing as of: 24 February 2025

Fig. 1: FY24 financial summary

ESSA FY24 results	FY24	FY23	yoy%	4Q24	4Q23	yoy%	3Q24	qoq%	IPS FY24F	% of IPS	Cons FY24F	% of cons
Revenue	301	345	-13%	71	112	-37%	79	-9%	327	92%	314	96%
COGS	(193)	(242)	-20%	(45)	(58)	-22%	(49)	-9%	(211)	92%	(202)	96%
<b>Gross profit</b>	<b>108</b>	<b>103</b>	<b>5%</b>	<b>27</b>	<b>55</b>	<b>-51%</b>	<b>29</b>	<b>-9%</b>	<b>116</b>	<b>93%</b>	<b>111</b>	<b>97%</b>
Gross margin	36%	30%		37%	49%		37%		36%		36%	
Opex	(26)	(26)	0%	(8)	(9)	-14%	(6)	34%	(27)	96%	(35)	74%
<b>EBIT</b>	<b>82</b>	<b>77</b>	<b>6%</b>	<b>19</b>	<b>46</b>	<b>-59%</b>	<b>24</b>	<b>-19%</b>	<b>89</b>	<b>92%</b>	<b>76</b>	<b>108%</b>
EBIT margin	27%	22%		27%	41%		30%		27%		24%	
Depreciation	46	47	-1%	12	12	0%	12	2%	47	99%	61	76%
<b>EBITDA</b>	<b>128</b>	<b>124</b>	<b>4%</b>	<b>31</b>	<b>58</b>	<b>-47%</b>	<b>35</b>	<b>-12%</b>	<b>136</b>	<b>95%</b>	<b>137</b>	<b>94%</b>
EBITDA margin	43%	36%		43%	51%		45%		41%		44%	
Interest income	5	3	86%	1	1	58%	1	29%	5	94%		
Interest expense	(10)	(18)	-43%	(2)	(3)	-28%	(2)	-11%	(12)	84%		
Others	0	(0)	-149%	0	0	30%	0	149%				
<b>Pre-tax profit</b>	<b>77</b>	<b>62</b>	<b>24%</b>	<b>19</b>	<b>45</b>	<b>-57%</b>	<b>23</b>	<b>-16%</b>	<b>82</b>	<b>93%</b>		
Income tax	(16)	(15)	8%	(4)	(10)	-66%	(5)	-29%	(18)	90%		
Minority interest	(15)	(12)	26%	(4)	(9)	-60%	(5)	-18%	(15)	104%		
<b>Net profit</b>	<b>45</b>	<b>35</b>	<b>31%</b>	<b>12</b>	<b>25</b>	<b>-53%</b>	<b>13</b>	<b>-10%</b>	<b>49</b>	<b>92%</b>	<b>46</b>	<b>99%</b>
Net margin	15%	10%		16%	22%		17%		15%		15%	

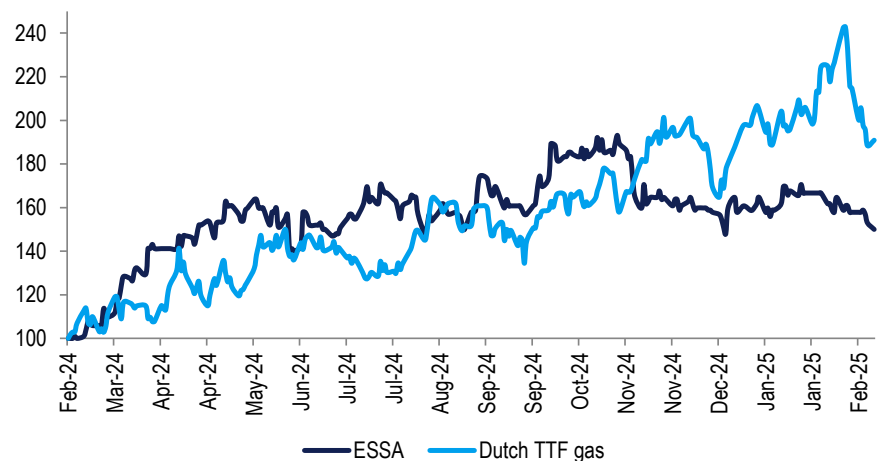
Source: Company, Indo Premier

Fig. 2: FY24 operational summary

Operational summary	FY24	FY23	yoy%	4Q24	4Q23	yoy%	3Q24	qoq%	IPS FY24F	% of IPS	Cons FY24F	% of cons
Ammonia (k mt)	733	727	1%	162	200	-19%	192	-15%	748	98%	-	N/A
Utilization rate (%)	114%	114%		109%	123%		118%		115%		-	N/A
LPG (k mt)	69	72	-5%	17	18	-5%	17	-2%	72	95%	-	N/A
Utilization rate (%)	119%	126%		117%	123%		119%		125%		-	N/A
Ammonia ASP (US\$/mt)	350	412	-15%	368	502	-27%	357	3%	375	93%	-	N/A
LPG ASP (US\$/mt)	604	572	6%	629	624	1%	583	8%	600	101%	-	N/A

Source: Company, Indo Premier

Fig. 3: TTF gas price vs. ESSA share px (Feb24 = 100)



Source: Company, Indo Premier

**Fig. 4: 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	1,085	2.4	2.8	2.9	5.8	6.6	5.9	15.9	15.6	15.0
YARA INTERNATIONAL ASA	YAR NO Equity	7,362	0.7	0.7	0.7	4.9	4.6	4.4	10.5	9.7	8.7
SAUDI BASIC INDUSTRIES CORP	SABIC AB Equity	52,239	1.3	1.3	1.2	8.5	6.9	5.9	41.0	22.2	15.8
CF INDUSTRIES HOLDINGS INC	CF US Equity	13,207	2.4	2.4	2.3	6.6	6.6	6.3	13.8	13.9	13.7
MOSAIC CO/THE	MOS US Equity	8,183	1.0	1.0	1.0	5.5	5.3	5.2	12.1	11.2	12.1
OCI NV	OCI NA Equity	2,477	0.2	0.3	0.3	2.7	1.8	1.5	N/A	91.6	38.2
NUTRIEN LTD	NTR CN Equity	25,840	1.4	1.4	1.3	6.7	6.5	6.3	14.3	13.4	13.1
<b>Average</b>			<b>1.2</b>	<b>1.2</b>	<b>1.1</b>	<b>5.8</b>	<b>5.3</b>	<b>4.9</b>	<b>18.3</b>	<b>27.0</b>	<b>16.9</b>
<b>Average (excl. SABIC &amp; OCI)</b>			<b>1.4</b>	<b>1.4</b>	<b>1.3</b>	<b>5.9</b>	<b>5.7</b>	<b>5.6</b>	<b>12.7</b>	<b>12.0</b>	<b>11.9</b>

Source: Bloomberg, Indo Premier

**Fig. 5: SOTP valuation summary**

SOTP Valuation	US\$m n
Ammonia (70% ow nership)	889
LPG	207
<b>Asset value</b>	<b>1,096</b>
Cash	109
Debt	-
<b>Equity value</b>	<b>1,205</b>
USD/IDR	16,000
Outstanding shares	17,227
<b>Target price</b>	<b>1,100</b>
Current share price	760
Upside/(dow nside)	45%

Source: Company, Indo Premier

Income Statement (US\$ mn)	2022A	2023A	2023F	2024F	2025F
Net revenue	345	301	325	342	346
Cost of sales	(242)	(193)	(209)	(223)	(218)
<b>Gross profit</b>	<b>103</b>	<b>108</b>	<b>116</b>	<b>119</b>	<b>128</b>
Opex	(26)	(26)	(27)	(28)	(28)
<b>Operating profit</b>	<b>77</b>	<b>82</b>	<b>89</b>	<b>91</b>	<b>100</b>
Net interest	(15)	(5)	5	5	1
Others	(0)	0	0	0	0
<b>Pre-tax income</b>	<b>62</b>	<b>77</b>	<b>94</b>	<b>96</b>	<b>102</b>
Income tax	(15)	(16)	(21)	(21)	(22)
Minority interest	(12)	(15)	(17)	(17)	(19)
<b>Net Income</b>	<b>35</b>	<b>45</b>	<b>57</b>	<b>58</b>	<b>60</b>

Balance Sheet (US\$ mn)	2022A	2023A	2023F	2024F	2025F
Cash & Equivalent	98	157	109	202	145
Receivable	38	22	23	24	25
Inventory	25	28	23	25	24
Other Current Assets	18	11	11	11	11
<b>Total Current Assets</b>	<b>179</b>	<b>219</b>	<b>166</b>	<b>263</b>	<b>205</b>
Fixed Assets - Net	493	451	486	715	852
Other non-Current Assets	24	24	24	24	24
<b>Total non-current assets</b>	<b>517</b>	<b>475</b>	<b>510</b>	<b>739</b>	<b>875</b>
<b>Total Assets</b>	<b>695</b>	<b>694</b>	<b>676</b>	<b>1,002</b>	<b>1,081</b>
Payable	12	10	11	12	11
ST Bank Loan	0	34	0	0	0
Current Portion of LT Loans	106	42	0	0	0
Other Current Liabilities	7	6	6	6	6
<b>Total Current Liabilities</b>	<b>125</b>	<b>93</b>	<b>17</b>	<b>18</b>	<b>18</b>
Long Term Loans	55	16	0	250	250
Other LT Liabilities	18	31	31	31	31
<b>Total Liabilities</b>	<b>198</b>	<b>140</b>	<b>48</b>	<b>299</b>	<b>299</b>
Equity	146	145	145	145	145
Retained Earnings	210	253	309	367	427
Others	23	19	19	19	19
Minority Interest	118	137	154	172	191
<b>Total SHE + Minority Int.</b>	<b>498</b>	<b>554</b>	<b>627</b>	<b>703</b>	<b>782</b>
<b>Total Liabilities &amp; Equity</b>	<b>695</b>	<b>694</b>	<b>676</b>	<b>1,002</b>	<b>1,081</b>

Source: Company, Indo Premier

Cash Flow Statement (US\$ mn)	2022A	2023A	2023F	2024F	2025F
EBIT	77	82	89	91	100
Depr. & amortization	47	46	47	52	71
Net interest	(15)	(5)	5	5	1
Changes in working capital	17	11	4	(2)	0
Others	25	9	(21)	(21)	(22)
<b>Cash flow from operating</b>	<b>151</b>	<b>143</b>	<b>125</b>	<b>125</b>	<b>150</b>
Capital expenditure	(3)	(5)	(81)	(282)	(207)
Others	0	5	0	0	0
<b>Cash flow from investing</b>	<b>(3)</b>	<b>(0)</b>	<b>(81)</b>	<b>(282)</b>	<b>(207)</b>
Loans	(109)	(69)	(92)	250	0
Equity	41	(5)	0	0	0
Dividends	0	0	0	0	0
Others	(130)	(10)	0	0	0
<b>Cash flow from financing</b>	<b>(198)</b>	<b>(84)</b>	<b>(92)</b>	<b>250</b>	<b>0</b>
<b>Changes in cash</b>	<b>(49)</b>	<b>59</b>	<b>(49)</b>	<b>94</b>	<b>(57)</b>

Key Ratios	2022A	2023A	2023F	2024F	2025F
Gross margin	30%	36%	36%	35%	37%
Operating margin	22%	27%	28%	27%	29%
Pre-tax margin	18%	25%	29%	28%	29%
Net margin	10%	15%	17%	17%	17%
ROA	5%	7%	8%	6%	6%
ROE	7%	8%	9%	8%	8%
ROIC	14%	17%	17%	12%	11%
Acct. receivables TO (days)	9	14	14	14	14
Inventory TO (days)	6	9	9	9	9
Acct. payables TO (days)	20	19	19	19	19
Debt to equity	32%	17%	0%	36%	32%
Interest coverage ratio (x)	7.0	12.7	N/A	N/A	N/A
Net gearing	13%	-12%	-17%	7%	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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