

Not Rated

Surya Esa Perkasa (ESSA IJ)

Promising LT Outlook from SAF and Blue Ammonia Projects

Last Price (Rp)	850
Target Price (Rp)	n.a
Upside/Downside	n.a
No. of Shares (mn)	17,227
Mkt Cap (Rpbn/US\$mn)	14,471/904
Avg, Daily T/O (Rpbn/US\$mn)	12.9/1.0

- ESSA expects its SAF project to start production by 4Q27/1Q28. Its LT demand outlook is supported by airlines green initiatives.
- Blue ammonia project has reached Phase II stage on carbon storage study. Blue ammonia price is 25-56% premium over brown ammonia.
- We see promising LT outlook on ESSA, with ST positive catalyst will come from clarity on SAF projects.

Key Financials:

	2021A	2022A	2023A
EPS (US\$c)	0.09	0.89	0.20
PER (x)	58.5	5.9	25.7
PBV (x)	3.8	2.3	2.4
ROAE (%)	6.8	49.1	9.5

Sustainable Aviation Fuel (SAF) would benefit ESSA in long-term

We recently met with ESSA to discuss its growth projects. ESSA is planning to develop a greenfield sustainable aviation fuel (SAF) plant, with target of production commencement by 4Q27E/1Q28E and 150,000 MT per annum capacity. Currently, the project is under internal planning process, including selection of technology that it will utilize. Management has not mentioned specific capex amount needs, but we noted that based on greenfield project in US, the cost of building SAF plant could reach US\$6-9k/MT. ESSA plans to own majority of SAF plant, while it aims to invite off-takers and strategic partners to join as minority. SAF market is still relatively small in worldwide scale, with 1mn MT production in 2024, and SAF contributes 0.3% of total global jet fuel demand. The biggest player in SAF worldwide is currently Neste, with 0.5mn MT in FY24. However, based on IATA, SAF consumption is expected to grow, reaching 4.7% of total global jet fuel demand by 2030. The outlook is supported by major airlines commitment, such as Singapore Airlines group, which plans of replacing 5% of its fuel consumption to SAF by FY30.

Ammonia business is supported by stabilizing global price

ESSA's 9M24 revenue declined by 1% yoy to US\$230mn due to lower ammonia price (-29% yoy), yet its quarterly revenue and EBITDA were relatively stable throughout 9M24 US\$73-78mn revenue and US\$30-36mn EBITDA per quarter) as ammonia price has been stabilizing at US\$330-350/MT. In yoy basis, 9M24 EBITDA grew by 49% yoy, driven by 7% qoq higher ammonia price and operational efficiency. ESSA expects its revenue to reach US\$300-310mn for FY24F. Management has not mentioned FY25F target, but it guides that there will be major ammonia plant maintenance in 4Q25F (for around 4 weeks, with around 4 days after maintenance to ramp up the utilization). Meanwhile, the Blue ammonia project is currently under Phase II on studying carbon capture storage, supported by implementation guidelines by government that was just released in Dec24. We noted that blue ammonia could fetch up 5-11% premium over regular (brown) ammonia, based on S&P data.

Promising long-term outlook due to SAF and blue ammonia; further clarity on project may act as catalyst. ESSA currently trades at PER of 22.5x, at +1 std deviation of its 5-years mean. Management expects to announce FY24 result by mid-Feb.

BRI Danareksa Sekuritas Analysts

Richard Jerry, CFA

(62-21) 5091 4100 ext. 3511
richard.jerry@brids.co.id

Sabela Nur Amalina

(62-21) 5091 4100 ext. 4202
sabela.amalina@brids.co.id

Exhibit 1. Historical Financial Summary

ESSA II	2019	2020	2021	2022	2023	9M23	9M24
Revenue (US\$mn)	222	176	303	731	345	233	230
EBITDA (US\$mn)	70	40	134	349	124	66	98
EBITDA growth (%)	1.5	0.0	231.9	160.8	(64.5)	(75.0)	47.7
Net profit (US\$mn)	3	(19)	14	139	35	10	34
EPS (US\$c)	0.02	(0.13)	0.09	0.89	0.20	0.06	0.19
EPS growth (%)	0.0	n.a	n.a	893.8	(77.1)	(91.5)	243.6
PER (x)	278.9	n.a	58.5	5.9	25.7	92.0	26.8
PBV (x)	4.0	4.2	3.8	2.3	2.4	2.2	2.2

Source: Bloomberg, Company

BRI Danareksa Equity Research Team

Erindra Krisnawan, CFA	Head of Equity Research, Strategy, Coal	erindra.krisnawan@brids.co.id
Natalia Sutanto	Consumer, Cigarettes, Pharmaceuticals, Retail	natalia.sutanto@brids.co.id
Niko Margaronis	Telco, Tower, Technology, Media	niko.margaronis@brids.co.id
Timothy Wijaya	Metal, Oil and Gas	timothy.wijaya@brids.co.id
Victor Stefano	Banks, Poultry	victor.stefano@brids.co.id
Ismail Fakhri Suweleh	Healthcare, Property, Industrial Estate	ismail.suweleh@brids.co.id
Richard Jerry, CFA	Automotive, Cement, Infrastructure	richard.jerry@brids.co.id
Ni Putu Wilastita Muthia Sofi	Research Associate	wilastita.sofi@brids.co.id
Naura Reyhan Muchlis	Research Associate	naura.muchlis@brids.co.id
Sabela Nur Amalina	Research Associate	sabela.amalina@brids.co.id
Kafi Ananta Azhari	Research Associate	kafi.azhari@brids.co.id

BRI Danareksa Economic Research Team

Helmy Kristanto	Chief Economist, Macro Strategy	helmy.kristanto@brids.co.id
Dr. Telisa Aulia Falianty	Senior Advisor	telisa.falianty@brids.co.id
Kefas Sidauruk	Economist	kefas.sidauruk@brids.co.id

BRI Danareksa Institutional Equity Sales Team

Yofi Lasini	Head of Institutional Sales and Dealing	yofi.lasini@brids.co.id
Novrita Endah Putrianti	Institutional Sales Unit Head	novrita.putrianti@brids.co.id
Ehrlicch Suhartono	Institutional Sales Associate	ehrliech@brids.co.id
Yunita Nababan	Institutional Sales Associate	yunita@brids.co.id
Adeline Solaiman	Institutional Sales Associate	adeline.solaiman@brids.co.id
Andreas Kenny	Institutional Sales Associate	andreas.kenny@brids.co.id
Christy Halim	Institutional Sales Associate	christy.halim@brids.co.id
Jason Joseph	Institutional Sales Associate	jason.joseph@brids.co.id

BRI Danareksa Sales Traders

Mitcha Sondakh	Head of Sales Trader	mitcha.sondakh@brids.co.id
Suryanti Salim	Sales Trader	suryanti.salim@brids.co.id

INVESTMENT RATING

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

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