

Buy (Initiated)

Last Price (Rp)	630
Target Price (Rp)	750
Previous Target Price (Rp)	-
Upside/Downside	+19.0%
No. of Shares (mn)	17
Mkt Cap (Rpbn/US\$mn)	11/1
Avg, Daily T/O (Rpbn/US\$mn)	14.0/0.8
Free Float (%)	26.9
Major Shareholder (%)	
Chander Vinod Laroya	16.4
Garibaldi Thohir	14.6

EPS Consensus (US\$cents)

	2025F	2026F	2027F
BRIDS	0.2	0.2	0.2
Consensus	0.3	0.3	0.3
BRIDS/Cons (%)	(35.5)	(10.9)	(16.7)

ESSA relative to JCI Index



Source: Bloomberg

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ESSA Industries Indonesia (ESSA IJ) Blue Ammonia as Future Value Driver; Initiate with Buy Rating and TP of Rp750

- We forecast ammonia prices to be ~8% lower in FY25F vs FY24, and continue to normalize, lowering ESSA's GPM by ~300bps ex-maintenance.
- We project the Blue ammonia project will enhance ESSA earnings to US\$42-52mn/yr in FY29F-FY35F (vs. US\$30-40mn/yr currently).
- Initiate ESSA with a Buy rating and TP of Rp750. Downside risks are delay of blue ammonia project and lower blue ammonia premium.

Expect grey ammonia price to normalize; blue ammonia is the future

We forecast ammonia price to avg at US\$322/MT in FY25, ~8% lower than FY24 avg, as we expect higher demand in the US will be offset by slower China imports and higher inventory in the SEA region. We estimate this will lower ESSA's FY25F-FY27F GPM by ~300bps ex-maintenance vs FY24 level. ESSA plans to convert its ammonia plant to produce blue ammonia, with production slated to commence in 4Q28F. We expect blue ammonia to yield ~11-14% price premium over grey ammonia, in line with the upper range of the S&P tracker. Blue ammonia production incurs higher cash costs than grey ammonia, with an additional cost at ~US\$34/MT today, declining to ~US\$23/MT by 2030F. We expect blended ammonia segment GPM to dip to 27% in FY28F due to the ramp-up of blue ammonia (vs FY25F-FY27F avg of 29%) before recovering to 30%-33% from FY30F onward. The blue ammonia project shall be margin accretive and lead to higher earnings run rate from US\$30-40mn/yr in FY25F-FY28F to US\$42-52mn/yr in FY29F-FY35F, assuming grey ammonia price of US\$306/MT.

SAF project is expected to enhance revenue, but need further details

ESSA is currently in the study phase to produce SAF, with production expected to commence in 1Q28F. While we have not yet incorporated this project into our estimates, using ESSA's planned 260 million liters capacity and the current unsubsidized US SAF price of ~US\$1.2/liter, we estimate this could potentially generate ~US\$312mn in additional annual revenue, potentially more than doubling our projected FY28F revenue onward.

Initiating ESSA with BUY rating and TP of Rp750

We initiate coverage on ESSA with a Buy rating and a SOTP-based target price of Rp750, implying 18x FY26F P/E. ESSA is currently trading at 19x forward P/E, in line with its five-year historical average. We expect ESSA's plan to upgrade its grey ammonia plant to blue ammonia to provide upside to margins starting in FY30F, as the premium for blue ammonia over grey ammonia is expected to remain intact, while cash costs should decline with technological advancements. Downside risks include: 1) Delays in the blue ammonia project. 2) Lower economies of scale for blue ammonia (e.g., a decline in premium or slower cost reductions). 3) Falling ammonia prices.

Key Financials

Year to 31 Dec	2023A	2024A	2025F	2026F	2027F
Revenue (US\$mn)	345	301	260	265	265
EBITDA (US\$mn)	124	128	95	112	113
EBITDA Growth (%)	(64.5)	3.7	(26.4)	18.2	1.4
Net Profit (US\$mn)	35	45	30	40	40
EPS (US\$cents)	0.2	0.3	0.2	0.2	0.2
EPS Growth (%)	(77.1)	29.0	(33.8)	34.1	(0.3)
BVPS (US\$cents)	2.2	2.4	2.5	2.7	2.9
DPS (US\$cents)	0.3	0.0	0.1	0.0	0.1
PER (x)	18.1	14.0	21.2	15.8	15.9
PBV (x)	1.7	1.5	1.5	1.3	1.3
Dividend yield (%)	8.2	0.9	1.6	1.1	1.4
EV/EBITDA	5.6	4.4	5.3	4.0	3.6

Source: ESSA, BRIDS Estimates



Blue Ammonia as Future Driver

Ammonia Price Outlook: Weaker in 1Q25, yet expected to stabilize in upcoming months

Ammonia demand reached approximately 195 Mt/year in 2024 (+3% yoy) and is projected to grow at a 1.4% CAGR, reaching 213 Mt/year by 2030, according to Bloomberg NEF. The fertilizer industry remains the primary driver, accounting for 70%-80% of total demand, with long-term growth expected at ~1% per year. We expect several initiatives to support sustained fertilizer demand growth, including: 1) The UN's push for a 60% increase in food production by 2050 to keep pace with global population growth. 2) US (US\$500mn budget) and EU initiatives aimed at strengthening domestic fertilizer production. Meanwhile, non-fertilizer ammonia demand (accounting for ~20% of total demand) is projected to grow at a slightly faster pace than fertilizer demand, driven by rising needs for urea, chemicals, and explosives, based on IEA forecast.



Source: Bloomberg NEF

Source: Bloomberg NEF

China is the biggest consumer (30% of total global demand) for ammonia, followed by EU (12%), US (11%), and India (10%). While China's demand growth has been substantially growing even after Covid, demand growth in US and EU have been relatively stagnant over the past two decades, yet demand in Middle East (7% of global demand), Russia (8%), and Africa (4%) have doubled within the same period of time.





Source: IEA



On the supply side, global ammonia production stands at 205 Mt/year, with a total capacity of 247 Mt/year, implying an ~80% global capacity utilization rate. All of the supply in current market are grey ammonia. However, utilization rates vary across markets due to differences in energy costs, supply-demand dynamics, and trade capabilities. China remains the largest ammonia producer, holding ~29% of global capacity, followed by Russia (9%), India (8%), and the United States (8%). This industry structure has remained largely unchanged since 1990. Looking ahead, ammonia production is projected to **grow by 2% per year**, reaching **239 Mt/year by 2030**, based on Bloomberg NEF. Most of this growth will come from cleaner ammonia sources (blue and green ammonia), with new facilities set to commence operations from 2025 onwards. As more countries are expected to adopt for cleaner energy, we think the demand for blue and green ammonia will increase, gradually diminishing demand on grey ammonia.



Exhibit 4. Market Share of Worldwide Ammonia Producer

Source: Bloomberg NEF

Ammonia producers are commodity price takers due to: 1) High industry fragmentation, with the five largest players (out of 825 total producers) controlling only 14% of global capacity. 2) Stable utilization rates, averaging ~80%.

Ammonia pricing is primarily influenced by: Fossil fuel input costs, particularly natural gas, which accounts for 90% of ammonia production costs, relative urea prices and crop demand trends.

Ammonia prices were historically relatively stable at ~US\$239/MT (US Tampa) in 2019-2020, until Russian-Ukraine invasion which drove up gas and LNG prices, thus pushing up ammonia prices since 1Q21 to its peak at US\$1,625/MT in Mar22. The price remained elevated until 4Q22, before gradually declining to ~US\$285/MT in 3Q23, due to lower LNG prices, an increase in capacity, and demand contraction in Southeast Asia. Nevertheless, the price has not returned to pre-Russian conflict level of ~US\$240/MT.



Despite expectations of higher demand in 1Q25, driven by the U.S. preplanting season and delayed ammonia applications from 4Q24 shifting into 1Q25, ammonia prices have slightly declined to US\$435/MT since early Jan25 for US Tampa and US\$302/MT for Middle East Ammonia (from US\$486/MT and US\$348/MT in 2024, respectively). We anticipate price pressure to persist in the short-term due to inventory build-up in Southeast Asia and slower ammonia imports from China (compared to 2024 levels) before expecting prices to stabilize in ~US\$450/MT for US Tampa and ~US\$322/MT for Middle East Ammonia in the coming months. We expect ammonia price to stabilize at ~US\$428/MT for US Tampa and ~US\$306/MT for Middle East Ammonia in long-term due to spare utilization and inability of producers to influence price.



Source: Bloomberg

Source: Bloomberg

Ammonia is traded around the world. Global trade of ammonia has reached 20 Mt/year, or about ~10% of production. Principal exporting countries are Trinidad and Tobago (34%), Indonesia (16%), and Algeria (12%), while principal importing countries are the US (21%), India (18%), and Morocco (14%). Russia used to be the biggest exporter for ammonia (~4.4 Mt/yr), yet it was ceased due to Russia-Ukraine war since 2022.





Source: Bloomberg NEF



The primary driver of ammonia (and its derivatives) trade is the regional cost disparity in production. Countries with abundant natural gas reserves and proximity to key demand markets can produce ammonia at a relatively lower cost. Countries in West Asia, Eastern Europe, and North America regions are among the cheapest producers due to access to cheap fossil fuels, while China and European (ex-Eastern) tend to have higher production costs.

Blue Ammonia Outlook: Emerging supply and demand, with high production cost is expected to decline as gaining scale

Ammonia is manufactured by converting gaseous nitrogen and hydrogen ("synthesis gas" or "syngas") at the right temperature and pressure, and in the presence of a catalyst. Syngas can be produced from hydrocarbon feedstock and fuel or from renewable sources. Almost all ammonia is currently produced from hydrocarbon feedstock and fuel. In comparison, blue ammonia is produced from hydrocarbons, yet the CO2 emitted during production is sequestrated via carbon capture utilization & storage (CCUS) technology. Additionally, there is even a cleaner ammonia alternative, which is so-called green ammonia, with several projects currently under planning. However, blue ammonia projects are currently closer to completion.



Exhibit 8. Blue and Green Ammonia Process

Source: Toyo Engineering

Globally, blue ammonia supply remains limited, with initial facilities expected to commence operations by 2025. However, the majority of planned capacity expansions are projected from 2028 onwards. In the near term, supply is estimated to reach 1.7 Mt/year by 2025F, 6.2 Mt/year by 2027F, and 15.6 Mt/year by 2030F, according to Bloomberg NEF. North America, particularly the US, will dominate production, accounting for 56% of supply by 2027 and approximately 80% from 2028 onwards, followed by the Middle East (notably Qatar and UAE).



Source: Bloomberg NEF

In terms of production cost, blue ammonia is still more expensive than grey ammonia. Bloomberg NEF estimates that the cheapest blue ammonia costs are at the UAE plant, with costs around US\$479-568/MT, whereas the average global market cost is at US\$790/MT (51%-64% more expensive than grey ammonia). Despite this, the International Renewable Energy Agency forecasts a 33% decline in blue ammonia production costs by 2030F. However, in the medium term, costs remain the primary challenge. The overall cost structure is largely driven by capex (52%-61%) and natural gas prices (14%-19%). One cost-effective alternative is retrofitting existing grey ammonia plants to transition to blue ammonia production, which can be 33%-66% cheaper than building a new facility. However, retrofitted plants achieve only 66% carbon capture, whereas newly built plants using autothermal reformers can reach up to 95% carbon capture.



Exhibit 11. Blue Ammonia Cost Across Countries (USD/MT)



Source: Bloomberg NEF

Source: Bloomberg NEF

Some initiatives, such as 45Q tax credit in US (~US\$85/MT), can push down blue ammonia cost and incentivize blue ammonia plant construction, which is happening currently. This initiative even encourages several countries to import from US for blue ammonia. However, there is an ongoing discussion



in US to repeal the 45Q tax credit. Although there is no early indication yet on final decision, it might jeopardize several projects in US.

Demand for blue ammonia is expected to emerge from 2028F onwards, reaching 14.4 Mt/year by 2030F. This demand growth is driven by:

- 1. Existing uses (fertilizers and chemicals) Accounting for 66% of total demand, supported by EU policies such as the Renewable Energy Directive (RED III) and the Carbon Border Adjustment Mechanism (CBAM), which favor blue ammonia over grey ammonia.
- Power generation Representing 33% of demand, primarily from South Korea, Japan, and Singapore. Japan is exploring co-firing imported renewable ammonia in coal power plants, potentially generating demand of 1.9-2.7 Mt/year.
- 3. Maritime fuel Contributing 1% of demand, mainly from the EU and Singapore. Ammonia is increasingly considered a viable marine fuel alternative due to its scalability, existing infrastructure, low storage costs, and non-flammability.

Exhibit 12. Clean Ammonia Demand (in Mt/yr) by Country



Exhibit 13. Clean Ammonia Demand (in Mt/yr) by Use Case



Source: Bloomberg NEF

Source: Bloomberg NEF

Blue ammonia is currently priced 6%-12% higher than grey ammonia, with the cheapest price found in the Middle East (~27% cheaper than the average blue ammonia global pricing), while the most expensive is in Northwest Europe (~20% more expensive than the average).

Exhibit 14. Grey vs Blue Ammonia Price (in USD/MT)



Source: S&P Global



SAF Outlook: Future prospect of jet fuel alternative with multiple commitments, yet selling price is still quite steep

Sustainable Aviation Fuel (SAF) is an alternative fuel made from nonpetroleum feedstock that reduces emissions from air transportation. SAF can be blended at different levels with limits between 10% and 50%, depending on the feedstock and how the fuel is produced. Currently, there are 3 major methods for producing SAF:

- Hydrotreated esters and fatty acid (HEFA), which come from vegetable oils, waste oils, and animal fats. Currently, it is the only method that can produce commercial-scale SAF and is used by 95% of SAF-powered flights.
- Alcohol-to-Jet (AtJ), mainly made from ethanol sourced from corn, related crops, or waste.
- Power to Liquid (PtL) SAF does away with concerns about feedstock quantity and availability by capturing carbon dioxide and synthesizing it with renewable hydrogen to form liquid fuel.

SAF is still in its infancy stage, with production volume only reaching 1.3bn gallon in 2024 (or equivalent to 4.9bn liters). SAF production is expected to reach 3.5bn gallons (or 13.2bn liter) in 2025F, based on Bloomberg NEF. Currently, there are 160 SAF projects globally in 40 countries, with a total capacity of 24.2bn liter (6.4bn gallons) and expected to operate before 2030F. Approximately 63% of the total planned SAF capacity will utilize HEFA technology, with the majority of production expected in the US (~50%), followed by Europe (~31%). However, SAF cash costs remain high, with HEFA at US\$2.25/I, PtL at US\$3.5/I, and AtJ ethanol being the most expensive at US\$4.2/I, according to RMI Research.



Exhibit 16. SAF Capacity by Technology

Source: Bloomberg NEF

Source: Bloomberg NEF

The capacity number is still prone to change, due to 1) Project delays, as happened in the past 2 years; 2) Utilization of plants to produce SAF, as SAF plants are designed to be able to produce another biodiesel products.

2024

2026

2028

Alcohol-to-Jet

Hydroprocessing

Pyrolysis

2030



Currently, SAF contribution is still low at 0.3% of global jet fuel, with an expectation to reach 3.6% of global jet fuel by 2030F. The demand will be further supported by airline commitments to gradually increase SAF use to reduce emissions, which are currently made by 70 global airlines. For example, Singapore Airlines expects SAF to contribute 1% of their total jet fuel usage by 2026F and 3%-5% by 2030F, while freight carriers (DHL, FedEx) aim for 30% usage by 2030F. Most of the commitments are made by US and European airlines, due to stricter regulations in respective countries. Meanwhile, commitments from Asian airlines have just emerged since 2023 and are expected to continue growing, as several countries are currently setting their SAF roadmap targets.

Exhibit 17. SAF Blend Commitment by Regions



Source: Bloomberg NEF

However, since SAF supply is very limited and highly concentrated geographically, several airlines have signed offtake agreements with foreign facilities. For example, Japan Airlines has signed contracts with Aemetis and Raven SR from two projects in California. Limited supply has also prevented several airlines from meeting their SAF blend targets. For instance, American Airlines, Delta, and Air France have only been able to secure approximately 3% of their SAF demand, falling short of their ~10% target.

Another major challenge for SAF is its pricing, as it currently costs around ~US\$4.5/gallon in the US (US\$1.2/l), compared to normal jet fuel at ~US\$2.2/gallon (US\$0.57/l), or slightly more than double. In several venues, the difference can be even greater. Even after state subsidies, such as in California and Illinois, the price is still at US\$3–4/gallon (US\$0.79–1.05/l). This creates a headache for airlines, as 29–30% of their costs are fuel costs, and airlines are running at just ~10–13% EBIT margin. Moreover, SAF pricing is also dependent on technology, with HEFA as the cheapest SAF available, while AtJ can cost 64% more than HEFA, and PtL up to 4x the HEFA price.



Exhibit 18. SAF Cost Price (Subsidized/Unsubsidized) vs Fossil Jet Fuel Subsidized costs of SAF compared to jet fuel



Source: Bloomberg NEF



Exhibit 20. Fuel Cost to Total Airlines Cost



Source: Bloomberg

Source: Bloomberg

Several airlines have decided to pass through this cost as part of the ticket price. For example, Lufthansa is charging extra fee, called environmental cost surcharges, as part of total flight cost for departure from Europe.

Company Background

PT ESSA Industries Indonesia (ESSA) was established as PT Surya Esa Perkasa in 2006, starting as a refinery and natural gas processing company in Palembang. It secured an LPG sale agreement with Pertamina in 2007 and became Indonesia's largest private LPG producer by 2010. The company transitioned to a public entity in 2012. In 2013, it expanded its refinery, increasing capacity by 50% the following year. In 2015, its subsidiary, PT Panca Amara Utama (PAU), began constructing an ammonia plant, which started operations in 2018. The company rebranded as ESSA in 2021, signed MoUs for Blue Ammonia and GHG measurement, and distributed its highest dividend in 2023, alongside a 10% increase in ammonia business ownership and a name change to PT ESSA Industries Indonesia.



ESSA currently operates two core businesses:

LPG processing and trading. ESSA receives feed gas from Pertamina from Cambai Pipeline and Lembak Field, and extracts Propane (C3) and Butance (C4) to produce LPG. Additionally, heavier hydrocarbons (C5+) are extracted to produce condensate. The final product of LPG is sold to Pertamina on FOB plant basis, while the condensate is returned to Pertamina in exchange for a handling fee.

The plant is located in Palembang and has been operating since 2007. It has LPG production capacity of 174 Tonnes per day (~60-70k MT/year), and condensate of 410 Barrels per Day (~130-140k MT/year).

- Ammonia processing and trading. ESSA receives feed gas from JOB Pertamina-Medco E&P Tomori Sulawesi, to be processed into ammonia (licensed by KBR), with a long-term off-taker agreement by Mitsubishi Corporation with take-or-pay scheme. The main destination market is South Korea, China, and Taiwan.
- The plant is located in Banggai (Central Sulawesi) and has been operating since 2018. It has production capacity of ~650k Mt/year.



Exhibit 21. LPG Processing at ESSA

Source: Company





Source: Company



Exhibit 23. ESSA Shareholder Structure



Source: Company

Exhibit 24. ESSA's BoC & BoD Members

	Board of Commissioners						
1	Hamid Awaluddin President Commissioner & Independent Commissioner President Commissioner and Independent Commissioner of ESSA since 2012. Also serves as Chairman of Audit Committee.						
2	Chander Vinod Laroya Vice President Commissioner Vice President Commissioner of ESSA since 2023 and previously served as President Director. Also serves as President Commissioner of PAU.						
3	Rahul Puri Commissioner Commissioner of ESSA since 2011. Also serves as Commissioner of PAU and PT ESSA Chemicals Indonesia, serves as Director of PT Akraya International & PT Akraya Clean Energy.						
4	Arif Rachmat Commissioner Commissioner of ESSA since 2022. Also serves as President Commissioner at PT Autopedia Sukses Lestari Tbk and PT Triputra Argo Persada Tbk.						
5	IB Rahmadi Supancana Independent Commissioner Commissioner of ESSA since 2011. Also, as a Founder and Chairman of the Advisory Board of Bali International Arbitration and Mediation Center (BIAMCI) since 2017.						

	Board of Directors
1	Kanishk Laroya
	President Director & CEO
	President Director & CEO of ESSA & PAU since 2023. Also serves as President Director at PT
	ESSA Chemicals Indonesia and Director of PT Akraya International.
2	Mukesh Agrawal
	Director & COO
	Director of ESSA since 2011, and Director & COO of ESSA and PAU since 2020.
3	Prakash Chand Bumb
	Director & CFO
	Director of ESSA since 2022. Also serves as Director of PAU and Commissioner at PT ESSA
	Chemicals Indonesia.
4	Isenta Hioe
	Director
	Director of ESSA since 2006. Also serves as Director of PAU and PT ESSA Chemicals Indonesia.

Source: Company



Growth Strategy: Expansion plan into Blue Ammonia and SAF

Stable LPG and Ammonia pricing outlook; expect blue ammonia to be margin accretive

We expect a stable LPG revenue stream due to a stable LPG price in the short term at US\$565/MT, along with a stable utilization of ~119% in the long term (vs the 5-year average of 114%). LPG revenue contribution is expected to stay at 13%-16% of total ESSA revenue.

For ammonia, we use price assumption of US\$450/MT for US Tampa and US\$322/MT for Middle East Ammonia for FY25 as we expect higher demand in US will be offset by slower China import and higher inventory on SEA region. We expect price will stabilize at US\$428/MT for US Tampa and US\$306/MT for Middle East Ammonia from FY26 onwards, due to spare global capacity and the inability of producers to influence the price due to lack of market concentration.

We expect utilization to decline slightly to 105% in FY25F (vs 114%) before returning back to 114% in FY26F-FY27F, as ESSA is planning to have 4-weeks maintenance in 4Q25F. Altogether, using our assumptions for price trend and utilization, we estimate ammonia revenue to grow by -15%/+3%/+0% yoy, with GPM of ammonia segment at 24%/31%/31% in FY25F/FY26F/FY27F.



Source: Company, BRIDS Estimates



Exhibit 27. ESSA's Plant Utilization



Exhibit 26. ESSA's ASP on LPG (USD/MT)









Source: Company, BRIDS Estimates



ESSA plans to convert its ammonia plant, which currently produces grey ammonia, to produce blue ammonia. Mgmt expects blue ammonia production to commence in 4Q28F. Currently, the Blue Ammonia project is under Feasibility Study Phase II to study surface and subsurface facilities, as well as well integrity. ESSA expects to incur US\$100-150mn capex, with a carbon capture ratio target of 70%. We expect blue ammonia will yield ~11-14% price premium over grey ammonia, in line with the upper range of the S&P tracker. While ESSA's management looks for a ~20% premium for blue ammonia over grey ammonia, the pricing mechanism remains underdeveloped due to limited blue ammonia production and the absence of a clear framework outside the EU.

Blue ammonia production incurs higher cash costs than grey ammonia due to substantial capex requirements and additional operational expenses. We estimate the extra cost of producing blue ammonia at ~US\$34/MT today, declining to ~US\$29/MT by 2028F (when the plant becomes operational) and ~US\$23/MT by 2030F. This represents an estimated 31% reduction in production costs by FY30F, aligning with the International Renewable Energy Agency's projection.

We expect ammonia segment gross profit margins (GPM) to dip to 27% in FY28F due to the ramp-up of blue ammonia (compared to an FY25F-FY27F average of 29%) before recovering to 30%-33% from FY30F onward. This would translate to earnings run rate from US\$30-40mn/year in FY25F-FY28F to US\$42-52mn/year in FY29F-FY35F (based on ammonia price of US\$428/MT for US Tampa and US\$306/MT for Middle East Ammonia).

Exhibit 29. ESSA Blue Ammonia Project Projection

	2028F	2029F	2030F	2031F	2032F	2033F	2034F
Capacity (k Mt/yr)	648	648	648	648	648	648	648
Utilization	105%	114%	114%	114%	114%	114%	114%
ASP							
Blue ammonia ASP (USD/MT)	341	348	348	348	348	348	348
Grey ammonia ASP	305	305	305	305	305	305	305
% premium	12%	14%	14%	14%	14%	14%	14%
Cost (USD/MT)							
Blue ammonia cash cost	167	184	181	177	174	172	170
Grey ammonia cash cost	161	164	163	162	161	161	160
% premium	3%	12%	11%	10%	8%	7%	6%
Revenue	213	257	257	257	257	257	257
GPM	27%	29%	30%	31%	32%	32%	33%

Source: BRIDS, Bloomberg NEF, IAEA

SAF: potential long-term engine, currently in study phase

ESSA is currently in the study phase for selecting the technology to produce Sustainable Aviation Fuel (SAF), with production expected to commence in 1Q28F. The company plans to develop a greenfield facility in Batang, utilizing used cooking oil as feedstock, with a production capacity of ~200k MTPA (~260 million liters per year).



We have not yet incorporated this project into our estimates, as pricing and cost discovery remain uncertain. However, based on a simple calculation using ESSA's planned 260 million liters capacity and the current unsubsidized US SAF price of ~US\$1.2/liter, this could potentially generate ~US\$312mn in additional annual revenue, effectively more than doubling our projected FY28F revenue onward.

Exhibit 30. ESSA SAF Plan



Source: Company

Earnings Outlook: Expect margin improvement from blue ammonia; potential growth upside from SAF

Historical earnings review

ESSA's revenue is highly dependent on commodity prices and utilization rate. Revenue peaked in FY22 (more than doubled), as ammonia price surged by ~600%, enhancing ammonia gross margin significantly from 34% in FY21 to 46% in FY22. ESSA did not enjoy the full extent of the ammonia rally in FY21 due to maintenance, which led to lower utilization of 87% during that year (vs the average 116%). Since the normalization of ammonia price in FY23, ammonia gross margin has been lower at 29%-34%.

Meanwhile, LPG revenue has been relatively stable at ~US\$45-50mn/year, except in 2020 due to falling LPG price. Gross margin-wise, it follows LPG price movement, with the peak margin at 50% during the Russia-Ukraine war in FY21-22, before normalizing to 36%-44% in FY23-24.

Due to the nature of earnings being dependent on commodity prices, ESSA's earnings were relatively volatile. ESSA recorded the best net profit in FY22 (US\$139mn) due to a surge in commodity prices, before normalizing to US\$35mn in FY23 and US\$45mn in FY24.

Equity Research – Company Initiation

Exhibit 31. ESSA's Ammonia GPM vs Ammonia Price

1200 5.0% 45% 1000 40% 35% 800 30% 25% 600 20% 400 15% 10% 200 5% 0% 2020 2018 2019 2021 2022 2023 2024 Middle East Ammonia (US\$/MT) Ammonia GPM - RHS



Source: Company, Bloomberg

Source: Company, Bloomberg

Earnings projection

We estimate revenue to grow by -14%/+2%/0% in FY25F/FY26F/FY27F, as we expect ammonia price to stabilize in the US\$450/MT for US Tampa and US\$322/MT for Middle East Ammonia after a weak price trend in 1Q25 (please see discussion on price outlook above). We also expect LPG price to decline to US\$565/MT. As we refer to LNG price outlook for LPG, Bloomberg NEF expects that upside demand from EU and SEA would be offset by weaker China imports. Geopolitical tension would remain as a risk for LPG prices (i.e., the return of Russia's gas supply).

Our lower revenue estimate in FY25F is due to scheduled ammonia plant maintenance in 4Q25F, thus we expect ammonia plant utilization to drop to 105% (vs the 3-year average of 116%), before returning to the long-term average from FY26F onwards. Meanwhile, LPG revenue is expected to stabilize at US\$40-42mn/year from FY25F onwards.

Thus, we expect gross margin to decline to 27% in FY25F due to maintenance in 4Q25F, before recovering back to 31%/31% in FY26F/FY27F. As we expect interest expense to decline and ESSA will be able to maintain current opex efficiency, we expect earnings to decline temporarily by 34% yoy in FY25F, before growing back by 34%/0% in FY26F/FY27F, as utilization is returning to the long-term average by FY26F onwards.

Initiate ESSA with BUY rating and SOTP-based TP of Rp750

We initiate coverage on ESSA with a Buy rating and a SOTP-based target price of Rp750, implying 18x FY26F P/E ratio. ESSA is currently trading at 19x forward P/E, in line with its five-year historical average.

We expect ESSA's plan to upgrade its grey ammonia plant to blue ammonia to provide upside to margins starting in FY30F, as the premium for blue ammonia over grey ammonia is expected to remain intact, while cash costs should decline with technological advancements. On SAF, although it is not yet included in our estimates, we see significant revenue potential, with the possibility of doubling ESSA's revenue upon execution.



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ESSA has a proven track record of maintaining operational efficiency, with high utilization rates (>100%) and a strong safety record. We expect this trend to continue going forward. We project ESSA's revenue to grow - 14%/+2%/0% and EPS by -34%/+34%/0% in FY25F/FY26F/FY27F. The anticipated decline in revenue and net profit for FY25F is due to a four-week maintenance shutdown scheduled for 4Q25F. We expect the blue ammonia project to support earnings starting in FY28F onwards.

Downside risks include: 1) Delays in the blue ammonia project. 2) Lower economies of scale for blue ammonia (e.g., a decline in premium or slower cost reductions). 3) Falling ammonia prices. Our sensitivity shows that for every 5% decline in ammonia price, our TP is lowered by 5% and EPS by 15%.

Exhibit 33. SOTP Valuation

DCF assumption	
Long-term growth rate	3.0%
Risk-free rate	7.0%
Beta	1.2
Market risk premium	5.0%
Cost of equity	13.0%
Cost of debt after tax	6.5%
Debt portion	3.0%
WACC	12.8%

SOTP Valuation	US\$mn
DCF Ammonia (60% ownership)	419
DCF LPG	142
Asset value	562
Cash	155
Debt	18
Equity value	699
USD/IDR	16,800
Outstanding shares	15,661
Target price	750

Source: BRIDS Estimates





Source: Bloomberg, BRIDS Estimates



Exhibit 35. Income Statement

Year to 31 Dec (US\$mn)	2023A	2024A	2025F	2026F	2027F
Revenue	345	301	260	265	265
COGS	(242)	(193)	(189)	(178)	(179)
Gross profit	103	108	71	87	86
EBITDA	124	128	95	112	113
Oper. profit	77	82	48	64	63
Interest income	3	5	5	5	5
Interest expense	(18)	(10)	(3)	(1)	0
Forex Gain/(Loss)	0	0	0	0	0
Income From Assoc. Co's	0	0	0	0	0
Other Income (Expenses)	0	0	0	0	0
Pre-tax profit	62	77	49	68	68
Income tax	(15)	(16)	(10)	(14)	(14)
Minority interest	(12)	(15)	(9)	(14)	(14)
Net profit	35	45	30	40	40
Core Net Profit	35	45	30	40	40

Exhibit 36. Balance Sheet

Year to 31 Dec (US\$mn)	2023A	2024A	2025F	2026F	2027F
Cash & cash equivalent	98	157	155	192	228
Receivables	38	22	19	19	19
Inventory	25	28	21	20	20
Other Curr. Asset	13	11	11	11	11
Fixed assets - Net	493	451	418	411	418
Other non-curr.asset	24	24	24	24	24
Total asset	695	694	648	676	721
ST Debt	106	76	0	0	0
Payables	12	10	10	9	9
Other Curr. Liabilities	7	6	6	6	6
Long Term Debt	55	16	18	0	0
Other LT. Liabilities	18	31	31	31	31
Total Liabilities	198	140	65	47	47
Shareholder'sFunds	379	417	436	470	500
Minority interests	118	137	146	160	173
Total Equity & Liabilities	695	694	648	676	721



Exhibit 37. Cash Flow

Year to 31 Dec (US\$mn)	2023A	2024A	2025F	2026F	2027F
Net income	35	45	30	40	40
Depreciation and Amort.	47	46	47	48	50
Change in Working Capital	17	11	10	0	0
OtherOper. Cash Flow	56	31	(2)	(4)	(5)
Operating Cash Flow	154	133	85	84	85
Сарех	(2)	(5)	(14)	(40)	(58)
Others Inv. Cash Flow	2	10	5	5	5
Investing Cash Flow	0	5	(10)	(36)	(53)
Net change in debt	(109)	(74)	(74)	(18)	0
New Capital	41	(5)	0	0	0
Dividend payment	0	0	(10)	(7)	(9)
Other Fin. Cash Flow	(148)	(15)	(2)	(1)	0
Financing Cash Flow	(216)	(94)	(87)	(26)	(9)
Net Change in Cash	(62)	44	(11)	23	23
Cash - begin of the year	148	98	157	155	192
Cash - end of the year	98	157	155	192	228

Exhibit 38. Key Ratio

Year to 31 Dec	2023A	2024A	2025F	2026F	2027F
Growth (%)					
Sales	(52.8)	(12.6)	(13.9)	2.2	0.0
EBITDA	(64.5)	3.7	(26.4)	18.2	1.4
Operating profit	(74.5)	6.4	(41.7)	34.1	(1.6)
Net profit	(75.1)	30.5	(33.8)	34.1	(0.3)
Profitability (%)					
Gross margin	29.9	35.8	27.2	32.9	32.5
EBITDA margin	35.9	42.6	36.4	42.1	42.7
Operating margin	22.3	27.2	18.4	24.2	23.8
Net margin	10.0	15.0	11.5	15.1	15.1
ROAA	4.5	6.5	4.5	6.1	5.7
ROAE	9.5	11.4	7.0	8.8	8.2
Leverage					
Net Gearing (x)	0.1	(0.1)	(0.2)	(0.3)	(0.3)
Interest Coverage (x)	4.4	8.1	15.6	79.1	0.0

Source: ESSA, BRIDS Estimates

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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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