

# INVESTOR NEWSLETTER

DSNGROUP



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Year 2020 is a year like no other. Since the first wave of Covid-19 outbreak in China during the first quarter of 2020 and later on widely spread throughout the world, the economies of many countries have been adversely impacted. The palm oil industry, on the other hand, is lucky enough to have no significant

adverse impact of Covid-19. However, the unfavorable impact of El Nino occurring in 2019 have noticeably seen in the third quarter of 2020. Below is our financial performance journey throughout 2020, quarter by quarter.

In Million of Rp

|  | Q1-2020   | Q2-2020   | ΔQ2-Q1    | Q3-2020   | ΔQ3-Q2    | 9M2020    | 9M2019    |
|--|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| <b>Revenue</b>   |           |           |           |           |           |           |           |
| Palm Oil   | 1,318,217 | 1,338,527 | 20,310    | 1,015,547 | (322,980) | 3,672,290 | 3,234,683 |
| Wood Product   | 271,777   | 221,583   | (50,194)  | 215,545   | (6,039)   | 708,905   | 733,356   |
| <b>Gross Profit</b>  | 411,855   | 319,652   | (92,203)  | 252,632   | (67,021)  | 984,139   | 966,362   |
| % margin   | 25.9%     | 20.5%     |           | 20.5%     |           | 22.5%     | 24.4%     |
| <b>Operating Profit</b>  | 294,771   | 59,066    | (235,705) | 175,835   | 116,769   | 529,671   | 459,276   |
| % margin   | 18.5%     | 3.8%      |           | 14.3%     |           | 12.1%     | 11.6%     |
| <b>Finance Income (Costs)</b>  |           |           |           |           |           |           |           |
| Interest Income ( Expenses)  | (128,091) | (121,692) | 6,399     | (104,425) | 17,267    | (354,209) | (388,042) |
| Net currency exchange loss(gain) from bank loans                     | (57,191)  | 205,350   | 262,541   | (83,972)  | (289,321) | 64,187    | 16,565    |
| <b>NPBT</b>  | 109,489   | 142,723   | 33,234    | (12,562)  | (155,286) | 239,650   | 87,799    |
| % margin   | 6.9%      | 9.1%      |           | -1.0%     |           | 5.5%      | 2.2%      |
| <b>Profit / Total Comprehensive Income</b>                           | 82,276    | 97,390    | 15,114    | (17,756)  | (115,147) | 161,910   | 61,729    |
| % margin   | 5.2%      | 6.2%      |           | -1.4%     |           | 3.7%      | 1.6%      |
| <b>Profit Excluding Foreign Exchange from bank loans translation</b> | 139,467   | (107,959) | (247,426) | 66,215    | 174,175   | 97,723    | 45,164    |
| % margin   | 8.8%      | -6.9%     |           | 5.4%      |           | 2.2%      | 1.1%      |
| <b>EBITDA</b>  | 435,888   | 254,397   | (181,491) | 256,959   | 2,562     | 947,244   | 844,702   |
| % margin   | 27.4%     | 16.3%     |           | 20.9%     |           | 21.6%     | 21.3%     |
| Exchange Rate (USD)  | Rp 16,367 | Rp 14,302 |           | Rp 14,918 |           |           |           |

## Q1-2020: Strong Production topped up with Strong ASP

Our 2020 financial performance was opened with strong CPO production and ASP in Q1-2020, generating revenue of Rp 1,590 billion with an operating profit of Rp 295 billion and EBITDA of Rp 436 billion.

In Q1-2020, we incurred net interest expense of Rp 128 billion and net currency exchange loss of Rp 57 billion from translation of USD-denominated bank loan following the

weakening of IDR against USD from Rp 13,901 as of 31 December 2019 to Rp 16,367 as of 31 March 2020.

As a result, we booked net income of Rp 82 billion for Q1-20 and if we exclude the non cash exchange loss, our *adjusted* net income would become Rp 139 billion. And excluding all non-cash items, we derived at EBITDA of Rp 436 billion.

## Q2-2020: Weakening ASP, Conversion of IDR-denominated loan into USD with Forex Gain

Entering Q2-2020, CPO production and sales volume were higher than Q1-2020 by 4.5% and 17.2% qoq, respectively. However, our ASP in this second quarter fell by 11% to Rp 7.4 million per ton from Rp 8.3 million per ton in Q1-2020, driven by weak demand for CPO as the impact of lockdowns imposed by many countries during the second quarter of 2020, resulting our revenue declined slightly by 1.9% qoq.

The operating profit generated in Q2-2020 was Rp 59 billion, less by Rp 236 billion against the operating profit generated in Q1-2020 due to loss of Rp 36 billion from change in fair value of biological assets as the FFB

production in Q3-2020 was expected to decline based on the Black Bunch Census (BBC). Following our loan conversion program in April and May 2020, in which we converted around Rp 1.7 trillion of our IDR-denominated loan into USD-denominated loan at a weighted average exchange rate of Rp 15,600, we have incurred a huge forex exchange gain of Rp 205 billion as Rupiah strengthened from Rp 16,367 to 14,302.

With net interest expense of Rp 122 billion this quarter, lower by Rp 6 billion than last quarter, we posted net income of Rp 97 billion for Q2-2020 while the EBITDA generated for this quarter was Rp 254 billion.

## Q3-2020: Lower Production, Improving ASP, Non-Cash Forex Exchange Loss, Higher EBITDA than Q2-2020

During Q3-2020, the adverse impact of El Nino occurring in 2019 has been noticeably seen in the drop of our FFB production and consequently the decline in CPO production by 18% qoq. The sales volume, however, fell a bit further by 27% because the improving production in the month of September following the increasing rainfall, have not been fully delivered to customers in the same month and consequently has not yet been recorded as part of our Q3-2020 revenue, but will be carried over to our Q4-2020 revenue.

Hence, in this quarter, we only achieved revenue of Rp 1.2 trillion, 21% lower than revenue in Q2-2020, despite the Q3-2020 ASP of Rp 7.44 million/ton was higher than Q2-2020 ASP of Rp 7.39 million per ton.

Nevertheless, Q3-2020 operating profit of Rp 176 billion was better off than Q2-2020 of Rp 59 billion, driven by a

gain arising from change in fair value of biological assets following the expectation of more FFB are coming in Q4-20 based on the latest Black Bunch Census.

However, as Rupiah weakened further in September 2020 to Rp 14,918, we incurred a non-cash currency exchange loss of Rp 84 billion in contrast to a forex gain of Rp 205 billion in Q2-2020 from the translation of our USD-denominated bank loans.

This non-cash forex loss, has unavoidably resulted in a net loss of Rp 18 billion for Q3-2020 result, despite our net interest expense has been reduced by Rp 17 billion or even though this quarter EBITDA of Rp 257 billion was higher than Q2-2020 EBITDA of Rp 254 billion. Excluding this non-cash exchange loss, our *adjusted* net income for Q3-2020 would become Rp 66 billion.

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