Earnings Momentum Intact; Turnaround Now Behind Us

31 Aug 2026

We maintain BUY rating on ESSA with a TP of IDR940/share, implying 52.8% upside, as we view the 2Q26 turnaround-led volume weakness as a temporary downside rather than a change in the earnings trajectory. Our constructive view is supported by: a) strong earnings momentum, with 1H26 net profit surging 103.3% YoY to USD30.2 mn and already reaching 47.0% of our FY26F forecast; b) a clear step-up in earnings quality, with gross margin expanding to 35.2% (vs. 27.7% in 1H25), EBITDA margin to 39.7% (vs. 35.9% in 1H25), and net margin to 16.2% (vs. 10.8% in 1H25); and c) relatively defensive pricing exposure, with 81.0% of 1H26 volumes sold into South Korea and Taiwan, positioning ESSA to benefit from the more resilient CFR Far East ammonia benchmark. Key upside catalysts are sustained ammonia prices above USD500/MT through 2H26F and a potential restart of the SAF project.

ESSA IJ	BUY
Sector	Basic Materials
Price 28 Aug '26 (IDR)	615
Price target (IDR)	940
Upside/Downside (%)	52.8

Stock Information

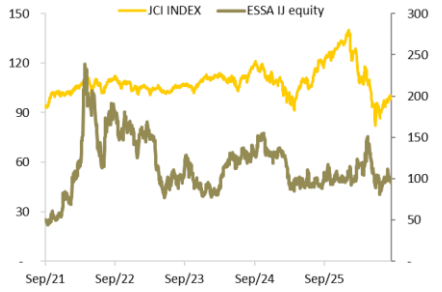
ESSA Industries Indonesia (ESSA) is the largest private operator of LPG and ammonia processing facilities in Indonesia, supported by advanced production technology that enhances operational efficiency and product competitiveness.

Market cap (IDR bn)	10,595
Shares outstanding (mn)	17,227
52-week range (IDR)	505 - 995
3M average daily vol. ('000)	94,279
3M average daily val. (IDR mn)	58,636

Shareholders (%)

Chander Vinod Laroya	18.88
Garibaldi Thohir	15.91
Akraya International	7.84
Public	57.37

Stock Performance



Source: Bloomberg

	1M	3M	12M
Performance	(0.7)	(5.2)	12.3

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1H26 Results In Line; Turnaround Impact Temporary

ESSA delivered a strong 1H26, with revenue up 35.5% YoY to USD186.5 mn and net profit surging 103.3% YoY to USD30.2 mn, reaching 52.0% and 47.0% of our FY26F estimates, respectively. The softer 2Q26 print, revenue of USD91.3 mn (+34.0% YoY, -4.0% QoQ) and net profit of USD11.4 mn (+66.0% YoY, -39.0% QoQ), was driven by 33.6% QoQ decline in sales volume following the scheduled turnaround of ESSA's ammonia plant, which the Company completed on 8 Jun '26 in just 34 days, ahead of the original 35–38 day schedule. Importantly, the volume dip was more than offset by significantly higher ASPs, with ammonia realized at USD646/MT (+42.0% QoQ), supporting positive YoY growth in 2Q26 through the planned downtime. As our model already fully accounted for the 2Q26 production impact, **we maintain our FY26F volume sales estimate unchanged at 715K MT (-5.4% YoY).**

Strong Operating Leverage Drives Broad-Based Margin Expansion

ESSA's gross margin expanded to 35.2% in 1H26 (1H25: 27.7%), as revenue grew 35.5% YoY to USD186.4 mn, outpacing the increase in cost of revenue and driving gross profit up 72.5% YoY to USD65.7 mn. Margin expansion extended to operating and EBITDA levels, with operating margin increasing to 26.7% (1H25: 18.8%) and EBITDA margin to 39.7% (1H25: 35.9%), underscoring the Company's strong operating leverage as revenue scaled. Net margin also expanded to 16.2% (1H25: 10.8%). We view the broad-based margin expansion as a key positive for earnings quality, as profitability scaled faster than revenue despite lower production volumes, reflecting strong operating leverage and cost discipline.

Ammonia Prices Tracking Our Forecasts, with Resilient Far East Exposure

Ammonia prices have retreated from their Apr–May'26 peaks, in line with our normalization assumptions, although the pace has varied by region. As of Jul'26, FOB Middle East fell 30.4% from its May'26 peak of USD805/MT to USD560/MT, while CFR Far East declined 15.9% from USD820/MT to USD690/MT. ESSA's sales to South Korea and Taiwan accounted for 81.0% of 1H26 volumes **(Exhibit 3),** providing exposure to the relatively resilient CFR Far East benchmark. We expect further normalization in 2H26, with our FY26F realized ASP unchanged at USD450/MT (+33.2% YoY), below the 1H26 realized ASP of USD531/MT and already reflected in our forecasts.

Maintain BUY with TP of IDR940/share

Maintain BUY on ESSA with TP of IDR940/share +52.8% upside from current share price at IDR615 based on DCF valuation (WACC: 12.1%; terminal growth: 1.5%). Our TP implies a 14.3x FY26F P/E. **Key downside risks include**: sustained ammonia prices below USD380/mt beyond our normalization assumption. **Key upside risks include**: ammonia prices remaining above USD500/MT through 2H26F; Potential recommencement of the SAF project.

Exhibit 1: Key statistics

Year end Dec	2024A	2025A	2026F	2027F	2028F
Revenue (USD Thousand)	301.402	295.015	361.126	344.897	332.260
Gross Profit (USD Thousand)	108.041	98.864	137.920	132.636	122.638
EBITDA (USD Thousand)	128.627	119.252	156.326	148.316	137.794
Net Profit (USD Thousand)	45.181	40.291	64.324	61.478	55.533
EBITDA Margin (%)	42,7%	40,4%	43,3%	43,0%	41,5%
Net Margin (%)	15,0%	13,7%	17,8%	17,8%	16,7%
ROAA (%)	6,9%	6,1%	9,8%	9,4%	8,5%
ROEA (%)	7,9%	7,0%	11,2%	10,7%	9,7%
P/E (x)	19,1x	15,5x	10,1x	10,5x	11,7x
EV/EBITDA (x)	7,2x	5,3x	3,1x	3,1x	3,3x

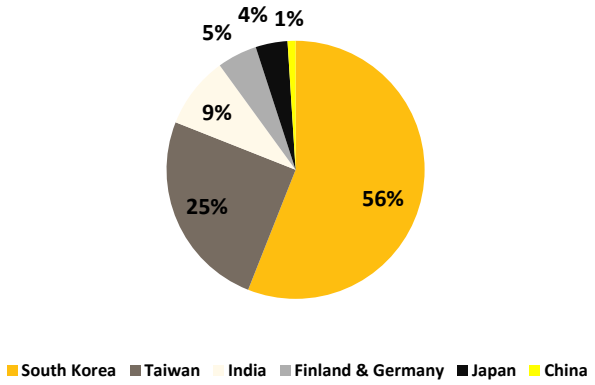
Sources: Company, KBVS Research

Exhibit 2. Key Result 2Q26

ESSA IJ	1H26	1H25	YoY	2Q26	2Q25	YoY	1Q26	QoQ	KBVS '26F	Consensus '26F
Revenue	186,476	137,588	36%	91,262	67,966	34%	95,214	-4%	52%	49%
COGS	(120,770)	(99,500)	21%	(69,194)	(52,140)	33%	(51,577)	34%	54%	54%
Gross Profit	65,705	38,088	73%	22,068	15,825	39%	43,637	-49%	48%	41%
Operating Profit	49,843	25,864	93%	15,896	11,517	38%	33,947	-53%	46%	40%
EBITDA	74,050	49,389	50%	28,005	24,025	17%	46,046	-39%	47%	42%
EBT	51,239	24,848	106%	16,559	11,239	47%	34,680	-52%	45%	40%
Net Profit	30,174	14,844	103%	11,418	6,894	66%	18,756	-39%	47%	41%
Margin										
Gross Margin	35.2%	27.7%		24.2%	23.3%		45.8%			
Op. Margin	26.7%	18.8%		17.4%	16.9%		35.7%			
EBITDA Margin	39.7%	35.9%		30.7%	35.3%		48.4%			
Net Margin	16.2%	10.8%		12.5%	10.1%		19.7%			

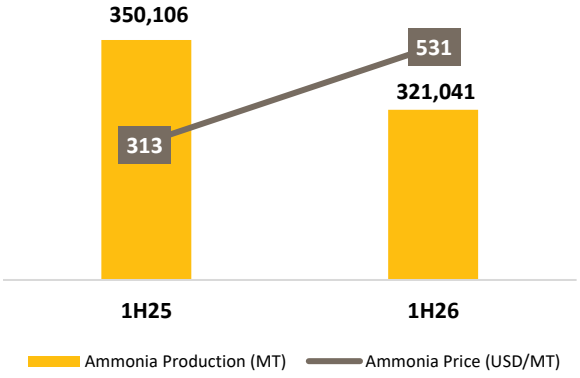
Source: Company, KBVS Research

Exhibit 3: Ammonia Sales by Regions – 1H26



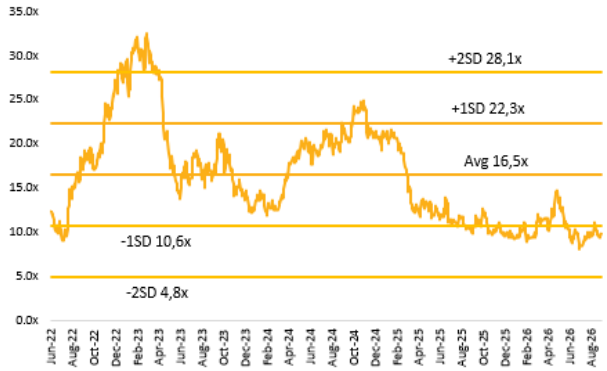
Source: KBVS Research

Exhibit 4: Lower Ammonia Production in 1H26



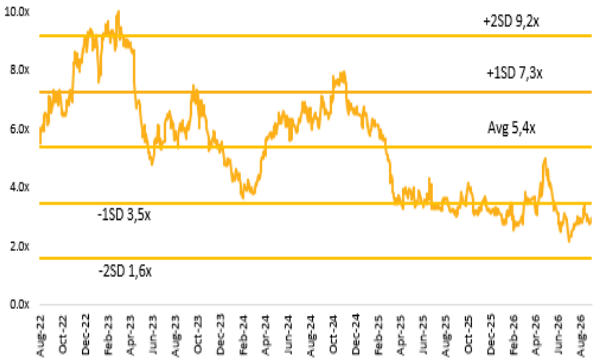
Source: KBVS Research

Exhibit 5: ESSA Trades Below it's -1SD 5Y Forward P/E



Source: KBVS Research

Exhibit 6: Forward EV/EBITDA band



Source: KBVS Research

Financial Tables

Exhibit 7: Profit and Loss

Year End Dec (USD Thousand)	2024A	2025A	2026F	2027F	2028F
Revenue	**301.402**	**295.015**	**361.126**	**344.897**	**332.260**
COGS	(193.361)	(196.150)	(223.205)	(212.261)	(209.622)
Gross Profit	**108.041**	**98.864**	**137.920**	**132.636**	**122.638**
Operational Expenses	(26.031)	(28.086)	(28.831)	(28.717)	(29.328)
EBIT	**82.010**	**70.779**	**109.089**	**103.919**	**93.310**
Depreciation	46.617	48.473	47.238	44.397	44.484
EBITDA	**128.627**	**119.252**	**156.326**	**148.316**	**137.794**
Finance Expenses	(10.085)	(3.640)	(7)	(7)	(7)
Pre-tax profit	76.695	70.607	112.724	107.736	97.319
Tax Expenses	(16.207)	(15.541)	(24.810)	(23.712)	(21.420)
Non-Controlling Interest	15.307	14.776	23.590	22.546	20.366
Net profit	**45.181**	**40.291**	**64.324**	**61.478**	**55.533**

Source: Company, KBVS Research

Exhibit 8: Balance Sheet

Year End Dec (USD Thousand)	2024A	2025A	2026F	2027F	2028F
Cash and cash equivalent	157.471	125.760	168.884	182.557	192.199
Receivables	21.540	30.982	40.125	38.322	36.918
Inventories	28.411	37.121	42.241	40.169	39.670
Other Current Assets	11.172	10.067	10.571	11.099	11.654
Total current assets	**218.595**	**203.930**	**261.820**	**272.148**	**280.440**
Net Fixed Assets	451.393	406.672	367.010	332.832	298.348
Intangible Assets	-	5.319	8.712	8.895	8.915
Other Non-Current Assets	23.687	30.637	32.169	33.777	35.466
Total Non-Current Assets	**475.080**	**442.629**	**407.891**	**375.504**	**342.730**
Total assets	**693.676**	**646.558**	**669.711**	**647.652**	**623.170**
Trade Payables	451.393	406.672	367.010	332.832	298.348
ST Debt	76.363	164	169	162	155
Other Current Liabilities	6.372	7.768	8.156	8.564	8.992
Total current liabilities	**92.725**	**19.338**	**21.305**	**21.070**	**21.337**
LT. debt	16.194	15	16	15	15
Other non current liabilities	30.881	43.558	45.736	48.023	50.424
Total Non-Current Liabilities	**47.074**	**43.574**	**45.752**	**48.038**	**50.439**
Total liabilities	**139.799**	**62.912**	**67.057**	**69.108**	**71.776**
Capital stock	16.441	16.441	16.441	16.441	16.441
Additional Paid in Capital	128.346	128.346	128.346	128.346	128.346
Retained Earnings	252.504	285.207	298.921	279.601	257.911
Other Equity	19.308	16.608	17.439	18.311	19.226
Non-Controlling Interest	137.278	137.044	141.507	135.846	129.471
Total Equity	**553.876**	**583.646**	**602.654**	**578.544**	**551.395**
Total Liabilities and Equity	**693.676**	**646.558**	**669.711**	**647.652**	**623.170**

Source: Company, KBVS Research

Exhibit 9: Cash Flow

Year End Dec (USD Thousand)	2024A	2025A	2026F	2027F	2028F
Net profit	45,181	40,291	64,324	61,478	55,533
Depreciation and amortization	46,417	48,331	47,238	44,397	44,484
Change in working capital	10,543	(16,735)	(12,690)	3,238	1,750
Others	40,669	2,501	(115)	(121)	(127)
Cash Flow From Operating	**142,810**	**74,388**	**98,757**	**108,992**	**101,640**
Capital Expenditure	(5,193)	(8,961)	(10,968)	(10,402)	(10,020)
Others	5,191	5,727	646	678	712
Cash Flow From Investing	**(2)**	**(3,234)**	**(10,322)**	**(9,723)**	**(9,308)**
Change in Debt	(68,592)	(92,377)	6	(7)	(8)
Dividend	(5,496)	(10,271)	(50,610)	(80,799)	(77,223)
Others	(9,453)	(2,934)	5,294	(4,789)	(5,459)
Cash Flow From Financing	**(83,541)**	**(105,581)**	**(45,311)**	**(85,595)**	**(82,691)**
Net cash flow	59,267	(34,427)	43,124	13,673	9,641
Cash at beginning	98,204	157,471	125,760	168,884	182,557
Cash at ending	**157,471**	**123,045**	**168,884**	**182,557**	**192,199**

Source: Company, KBVS Research

Exhibit 10: Key Performance Metrics

Year end Dec	2024A	2025A	2026F	2027F	2028F
Growth (%)					
Revenue	-13%	-2%	22%	-4%	-4%
Gross profit	5%	-8%	40%	-4%	-8%
EBIT	6%	-14%	54%	-5%	-10%
EBITDA	4%	-7%	31%	-5%	-7%
Net profit	31%	-11%	60%	-4%	-10%
Profitability (%)					
Gross margin	35,8%	33,5%	38,2%	38,5%	36,9%
EBIT margin	27,2%	24,0%	30,2%	30,1%	28,1%
EBITDA margin	42,7%	40,4%	43,3%	43,0%	41,5%
Net margin	15,0%	13,7%	17,8%	17,8%	16,7%
ROAA	7,0%	6,2%	9,9%	9,5%	8,6%
ROAE	8,0%	7,1%	11,3%	10,8%	9,8%
Solvency (x)					
Current ratio	2,4x	10,5x	12,3x	12,9x	13,1x
Quick ratio	2,1x	8,6x	10,3x	11,0x	11,3x
Debt to equity	0,2x	0,0x	0,0x	0,0x	0,0x
Interest coverage	8,1x	19,4x	15472,1x	14274,0x	13350,9x
Net Gearing	-0,1x	-0,2x	-0,3x	-0,3x	-0,3x

Source: Company, KBVS Research

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