INDOPREMIER

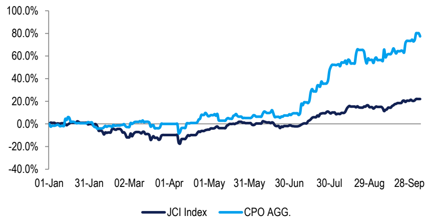
# Plantation

**OVERWEIGHT**

***Sector Initiation | 6 October 2025***

**Sector Index Performance**

| | 3M | 6M | 12M |
|---|---|---|---|
| Absolute | 64.6% | 80.0% | 72.5% |
| Relative to JCI | 46.4% | 55.3% | 64.2% |




**Summary Valuation Metrics**

| P/E (x) | 2025F | 2026F | 2027F |
|---|---|---|---|
| DSNG IJ | 8.5 | 7.3 | 6.4 |
| TAPG IJ | 9.0 | 8.5 | 8.3 |
| LSIP IJ | 4.1 | 4.2 | 4.3 |
| AALI IJ | 9.6 | 10.9 | 11.3 |

| EV/EBITDA (x) | 2025F | 2026F | 2027F |
|---|---|---|---|
| DSNG IJ | 5.3 | 4.4 | 3.6 |
| TAPG IJ | 6.4 | 5.8 | 5.5 |
| LSIP IJ | 0.8 | 0.2 | -0.3 |
| AALI IJ | 3.8 | 3.9 | 3.5 |

| Div. Yield | 2025F | 2026F | 2027F |
|---|---|---|---|
| DSNG IJ | 1.4% | 3.5% | 5.5% |
| TAPG IJ | 6.2% | 8.8% | 9.4% |
| LSIP IJ | 4.9% | 8.4% | 8.3% |
| AALI IJ | 3.8% | 4.5% | 4.2% |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## Structural growth story ahead

- We expect CPO prices to stay elevated in FY25-27F at MYR4.3k/t (vs. 9M25 MYR4.3k/t) supported by better supply-demand dynamic.
- We estimate sector core NP to grow at 15% CAGR in FY24–27F, with upside risks of 10%-48% vs. our current estimates.
- Reinitiate with OW call on the back of robust earnings growth and undemanding valuation at 8x FY26F P/E. DSNG is our top pick.

**CPO price to hold at MYR4.3k/t in FY25-27F; stay at >MYR4k/t long term**

We expect CPO prices to rebound in 4Q25F to MYR4.3k per tonne (+1% qoq) driven by stronger import from India, tighter supply post-peak FFB yields, La Niña-related disruptions, and improving price competitiveness versus soybean oil, lifting the FY25F average to MYR4.3k/t (+2% yoy). Prices should remain resilient at MYR4.3k/t in FY26-27F (flat yoy), supported by the full-year implementation of B40, continued soybean substitution and firm demand from India, while supply remains constrained by limited land and labor despite potential La Niña boosts. Over the LT we see CPO prices anchored at MYR4k/t with structural demand growth offsetting limited supply.

**Base case: 15% core NP CAGR in FY24-27F, led by DSNG**

We forecast sector core NP to grow at 15% CAGR in FY25-27F, driven by a 6% sales volume CAGR and improving CPO prices (+4% in IDR). DSNG is expected to lead the sector with 36% CAGR, supported by deleveraging and operational improvements. Sector balance sheets are set to improve, with net cash improving to 0.1x–0.2x in FY27F (vs. 0.1x net debt in FY21–23). Sector FCFF is projected to expand at 14% CAGR amid stable capex, supporting a sustainable DPR of 48-50% in FY26–27F (vs. 31-48% in FY21–25), implying dividend yields of 4%-9% (TAPG has the highest yield potential of 9% p.a).

**Potential upside risks: Indonesia's land issues & B50 demand boost**

We see upside risks to CPO prices from both supply and demand. On supply, Indonesia's HGU issues may result in lower output. On demand, the B50 mandate by FY26F may absorb 3-4mn KL annually (4-5% of global consumption), tightening SD balance. If realized, these could lift CPO prices by 8%-12% in FY26-27F, raising earnings 10%-48%. Downside risks stem from Brazil's land expansion and EUDR (EU Regulation on Deforestation-free Products) which could pressure demand, though impact may be limited as India and Indonesia shall be able to absorb the additional volume. In a stress case, if these countries fail to absorb demand, CPO prices could decline by 3%-13% in FY26-27F, with potential earnings downside of 3%-35%.

**Reinitiate OW: Re-rating on CPO price tailwinds, DSNG as top pick**

We reinitiate coverage on the plantation sector with an OW call, underpinned by sustained elevated CPO prices, improving operational metrics and low institutional ownership. Sector also benefit from IDR depreciation. Despite sector share prices rising by 29%-142% YTD25, valuations remain attractive at 4.2x EV/EBITDA and 7.8x P/E FY26F, still at a discount to Malaysian peers of 8x EV/EBITDA and 13x P/E; while earnings/dividends/ROE are higher, leaving room for further re-rating. DSNG is our top pick for its earnings growth, deleveraging, ESG profile, and valuation discount to Genting Plantations (GENP MY, NR), followed by TAPG for dividend yield and solid operations, and LSIP for attractive valuation. We reinitiate with HOLD on AALI, as rising costs from aging estates could limit leverage to higher prices, while valuation remained at premium. Key risks include weather, regulation, and the potential B50 rollout.

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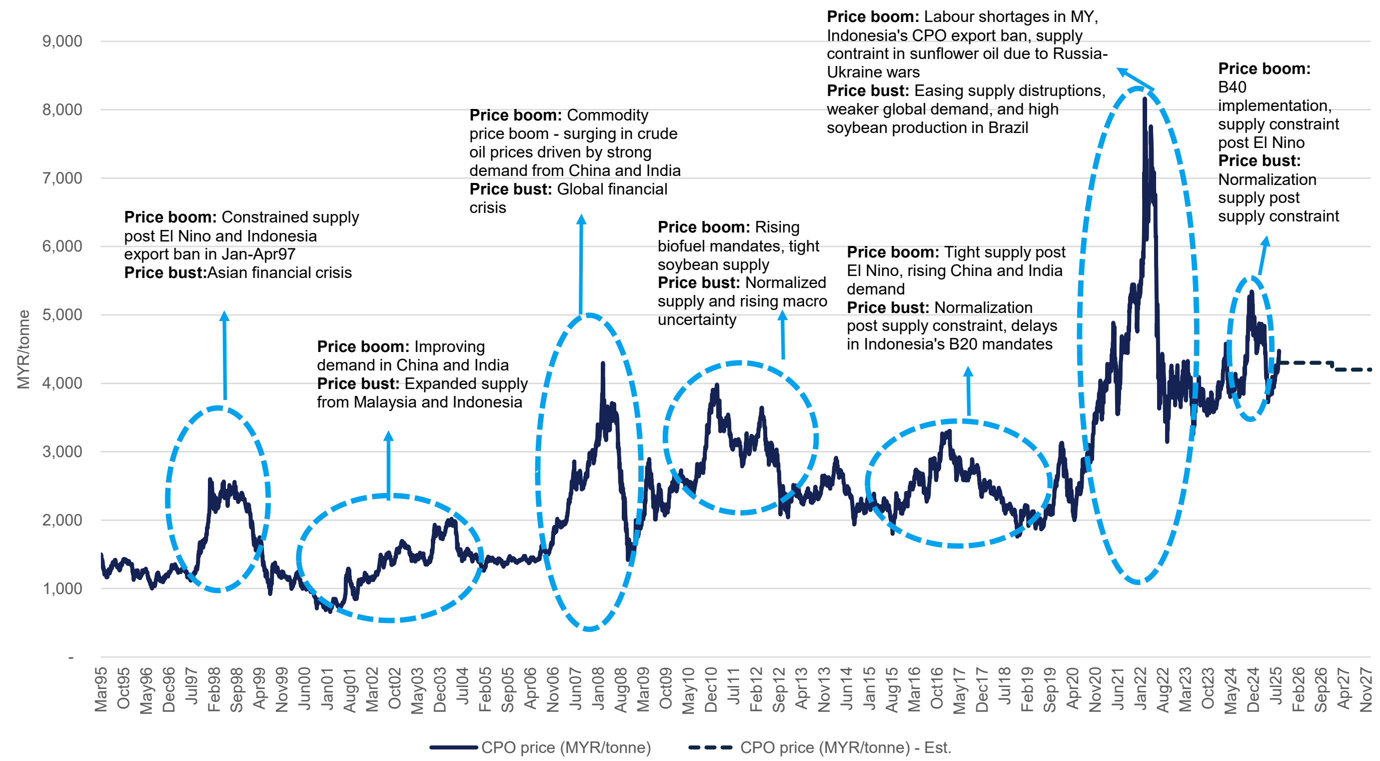
## Base case scenario: CPO price may stabilize over the next three years

Historically, rising CPO prices has been influenced by: 1) supply constraints (due to labour constraint, export ban, geopolitical tension), and 2) demand improvements i.e. mainly from Indonesia's biofuel mandates, pricing of competing vegetable oils (soybean oil), and weather events such as El Niño and La Niña.

**Fig. 1: CPO price performances study**




*Source: Bloomberg, Indo Premier*

In FY24, the CPO price rally happened in Sep-Dec24, primarily driven by supply constraint post El Nino, while Indonesia government was pushing for B40 implementation. The peak of the rally reached MYR5.3k/tonne (+39% from the beginning) before declining by -12% due to improving supply.

In 1Q25/2Q25/3Q25, average CPO prices stood at MYR4,676/4,050/4,264 per tonne (-3%/-13%/+5% qoq). The sharp 2Q25 decline was driven by improving supply amid normalization post-Eid demand, and softer prices of competing vegetable oils. QTD, the average CPO price was at MYR4.2k/tonne, or +5% vs. 2Q25, supported by higher imports from India.

<u>We expect the rebound to sustain into 4Q25F, underpinned by lower supply following peak FFB yields in 2Q25-3Q25, stronger festive demand from India with import tariff cuts, and better competitiveness versus soybean oil—supported by US biofuel policies especially in price-sensitive markets such as India. Additionally, La Niña conditions in 2H25F should support the price recovery, while inventories in key consumer countries (Indonesia and India) remain low </u>(see more in sections "Supply and Demand outlook in FY25-27F").

Overall, we forecast 4Q25F average CPO prices at MYR4.3k per tonne (+1% qoq). We assume FY25F average CPO prices of MYR4.3k/tonne (+2% yoy), in line with consensus estimates.

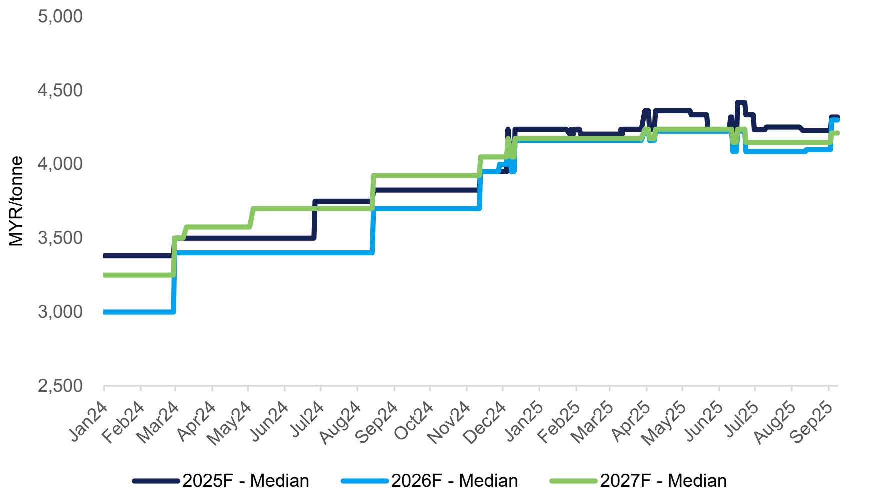
In FY26-27F, on a base case scenario, we expect the average CPO price to stay resilient at MYR4.3k per tonne (flat yoy), in-line with recent consensus' estimates. This is based on the assumption that demand will continue growing steadily in FY26–27F, offsetting the supply growth post–La Niña in FY26F and followed by supply recovery in FY27F.

We expect palm oil demand to continue growing in FY26–27F, led by Indonesia's full B40 implementation. India's demand should also rise, supported by soybean oil substitution amid a potential La Niña and recent tariff cuts.

We expect Malaysian supply in FY26–27F to increase marginally, as on-going labor shortages will constrain the production boost post–La Niña conditions (see more in section "Supply and Demand outlook in FY25-27F").

In our FY26–27F assumptions, we have not yet factored in the impact of B50 implementation. Additionally, we also have not assumed potential supply reductions from Indonesia due to the land usage permit (HGU – Hak Guna Usaha) issues. If both scenarios materialize, this could lift CPO price expectations further (see more in "Potential upside risks to CPO price").

**Fig. 2: Bloomberg consensus has been raising CPO price assumptions for FY25–27F – to remain above MYR4,000/tonne**




*Source: Bloomberg, Indo Premier*

**Fig. 3: Key price assumptions**

| Annual average price assumptions | 2021 | 2022 | 2023 | 2024 | 2025F | 2026F | 2027F | CAGR FY24-27F |
|---|---|---|---|---|---|---|---|---|
| **Plantation** | | | | | | | | |
| CPO (MYR/tonne) | 4,459 | 5,115 | 3,812 | 4,218 | 4,306 | 4,300 | 4,300 | 1% |
| Growth yoy | 0% | 15% | -25% | 11% | 2% | 0% | 0% | |
| CPO (Rp/kg) - FOB Dumai | 11,770 | 12,884 | 11,235 | 13,191 | 14,801 | 14,780 | 14,780 | 4% |
| Growth yoy | 0% | 9% | -13% | 17% | 12% | 0% | 0% | |
| CPO (US$/tonne) | 1,075 | 1,176 | 838 | 924 | 1,003 | 1,001 | 1,001 | 3% |
| Growth yoy | 0% | 9% | -29% | 10% | 9% | 0% | 0% | |
| **Energy** | | | | | | | | |
| Crude oil (US$/bbl) | 71 | 99 | 82 | 80 | 68 | 65 | 67 | -5% |
| Growth yoy | 0% | 40% | -17% | -3% | -15% | -5% | 4% | |
| **Exchange rate** | | | | | | | | |
| USD MYR | 4.1 | 4.4 | 4.6 | 4.6 | 4.3 | 4.3 | 4.3 | -2% |
| Growth yoy | 0% | 6% | 4% | 0% | -6% | 0% | 0% | |
| USD IDR | 14,296 | 14,853 | 15,237 | 15,848 | 16,347 | 16,347 | 16,347 | 1% |
| Growth yoy | 0% | 4% | 3% | 4% | 3% | 0% | 0% | |
| MYR IDR | 3,449 | 3,375 | 3,341 | 3,463 | 3,807 | 3,807 | 3,807 | 3% |
| Growth yoy | 0% | -2% | -1% | 4% | 10% | 0% | 0% | |

*Source: Bloomberg, Indo Premier*

**Fig. 4: Global supply and demand**

| | | B20 2018 | B20 2019 | B30 2020 | B30 2021 | B30 2022 | B35 2023 | B35 2024 | B40 2025 | B40 2026 | B40 2027 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Global CPO production** | | | | | | | | | | | |
| **Global** | **mn tonne** | **74.2** | **73.1** | **73.4** | **73.2** | **76.7** | **76.0** | **78.9** | **80.5** | **83.2** | **84.2** |
| **Growth yoy** | **%** | | **-1.4%** | **0.3%** | **-0.2%** | **4.7%** | **-0.9%** | **3.9%** | **1.9%** | **3.4%** | **1.1%** |
| CAGR 6-year | % | | | | | | | 1% | 2% | 2% | 2% |
| **ID** | **mn tonne** | **43.1** | **47.2** | **47.0** | **46.9** | **46.7** | **50.1** | **48.2** | **49.5** | **52.2** | **53.1** |
| Growth yoy | % | | 9.4% | -0.3% | -0.3% | -0.3% | 7.1% | -3.8% | 2.8% | 3.6% | 1.9% |
| CAGR 6-year | % | | | | | | | 2% | 1% | 2% | 2% |
| **MY** | **mn tonne** | **19.5** | **19.9** | **19.1** | **18.1** | **18.5** | **18.6** | **19.3** | **19.5** | **19.6** | **19.6** |
| Growth yoy | % | | 1.8% | -3.6% | -5.4% | 1.9% | 0.5% | 4.2% | 1.0% | 0.5% | -0.2% |
| CAGR 6-year | % | | | | | | | 0% | 0% | 0% | 1% |
| **Others** | **mn tonne** | **11.5** | **6.1** | **7.2** | **8.2** | **11.5** | **7.4** | **11.4** | **11.4** | **11.4** | **11.4** |
| Growth yoy | % | | -47.2% | 18.0% | 14.2% | 40.1% | -35.8% | 54.7% | -0.1% | -0.1% | -0.1% |
| CAGR 6-year | % | | | | | | | 0% | 11% | 8% | 6% |
| **Global CPO demand** | | | | | | | | | | | |
| **World palm consumption** | **mn tonne** | **70.6** | **70.8** | **72.5** | **69.3** | **73.8** | **74.5** | **77.4** | **79.5** | **82.3** | **83.0** |
| **Growth yoy** | **%** | | **0.3%** | **2.4%** | **-4.4%** | **6.4%** | **1.1%** | **3.9%** | **2.7%** | **3.4%** | **1.0%** |
| CAGR 6-year | % | | | | | | | 3.1% | 4.0% | 4.3% | 6.2% |
| **India palm consumptions** | **mn tonne** | **9.1** | **8.5** | **9.2** | **8.2** | **8.9** | **9.0** | **8.8** | **8.9** | **9.1** | **9.5** |
| Growth yoy | % | | -7.0% | 9.2% | -11.7% | 9.2% | 1.0% | -2.1% | 1.0% | 2.0% | 5.0% |
| CAGR 6-year | % | | | | | | | -1.1% | 1.7% | -0.6% | 5.3% |
| **Total palm usage for biodiesel** | **mn tonne** | **3.8** | **5.8** | **7.2** | **7.3** | **8.8** | **10.6** | **11.4** | **13.6** | **16.3** | **16.8** |
| Growth yoy | % | | 36.1% | 0.0% | 10.7% | 12.4% | 16.7% | 7.8% | 18.8% | 19.8% | 3.0% |
| CAGR 6-year | % | | | | | | | 28.7% | 23.0% | 30.6% | 27.5% |
| Total palm usage for biodiesel - additional yoy | mn KL | | 2.2 | - | 0.9 | 1.2 | 1.8 | 1.0 | 2.5 | 3.1 | 0.6 |
| Total palm usage for biodiesel | mn KL | 6.2 | 8.4 | 8.4 | 9.3 | 10.5 | 12.2 | 13.2 | 15.6 | 18.7 | 19.3 |
| Conversion from tonne to KL | | 115% | 115% | 115% | 115% | 115% | 115% | 115% | 115% | 115% | 115% |
| **Non Indonesia biodiesel and India consumptions** | **mn tonne** | **57.7** | **56.5** | **56.1** | **53.8** | **56.0** | **54.9** | **57.2** | **57.0** | **56.9** | **56.7** |
| Growth yoy | % | | -2% | -1% | -4% | 4% | -2% | 4% | 0% | 0% | 0% |
| CAGR 6-year | % | | | | | | | -0.3% | 0.3% | 0.5% | 1.8% |

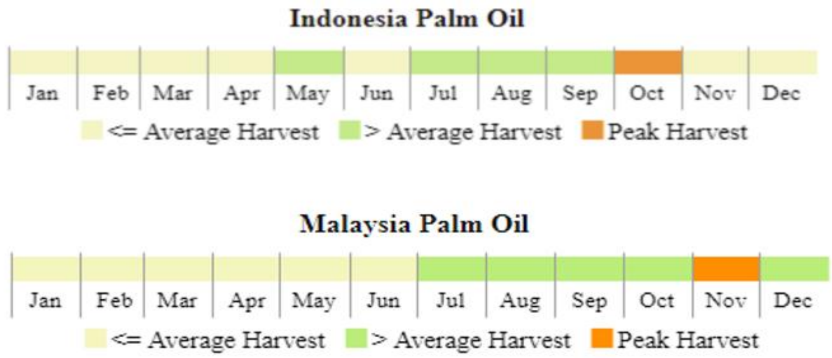
*Source: Indo Premier*

## Supply outlook in FY25-27F

Palm oil supply is influenced by several factors, including climate, government policies on land use and ESG compliance, seed quality, fertilizer and pesticide application, labor availability, and geopolitical tensions.

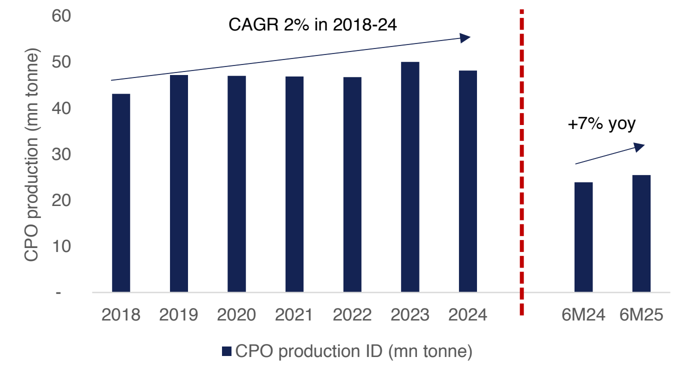
In FY25F, we expect global palm oil output to grow by 2% yoy, supported by improved supply amid favorable weather in the two largest producing countries, Indonesia and Malaysia. In 1H25, production in Indonesia and Malaysia grew by 7% yoy and 1% yoy, reaching 25mn and 9mn tonnes, respectively. GAPKI (Gabungan Pengusaha Kelapa Sawit Indonesia or Indonesia palm oil association) projects Indonesia's output growth of 3% yoy, while MPOB (Malaysian Palm Oil Board) expects 1% yoy growth for Malaysia. Indonesia's supply growth is likely to outpace Malaysia's, reflecting Malaysia's higher output base in 2024.

**Fig. 5: Difference in harvest season in Indonesia and Malaysia**



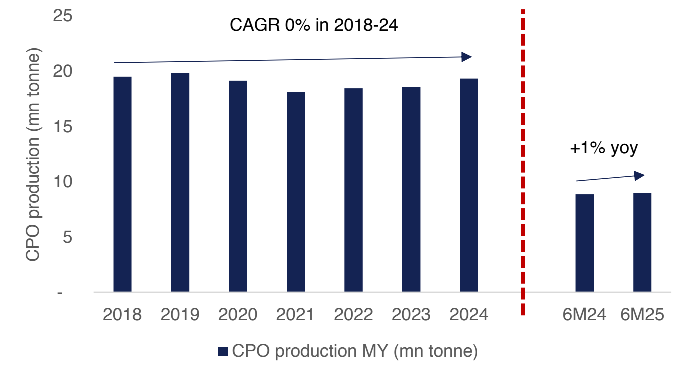

*Source: USDA*

**Fig. 6: Indonesia's CPO production fell 4% yoy in 2024, impacted by the 2023 El Niño**




*Source: GAPKI, Indo Premier*

**Fig. 7: Meanwhile, Malaysia's CPO production grew 4% yoy in 2024, supported by improved labor availability and the diminishing impact of El Niño**

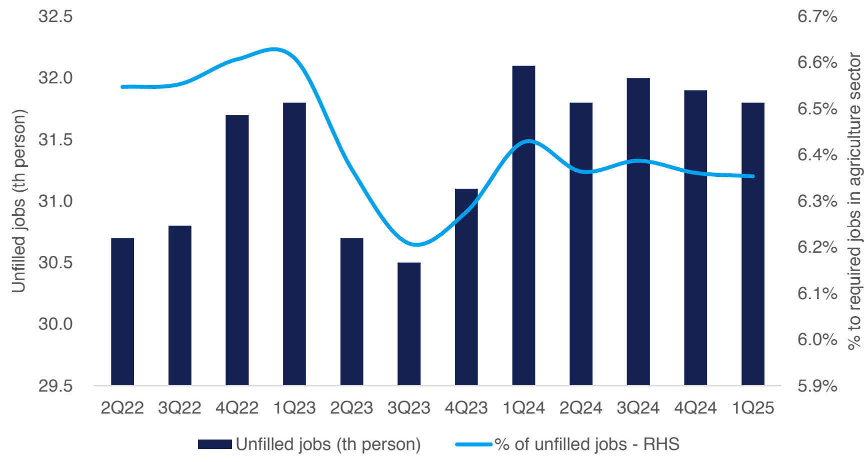



*Source: Bloomberg, Indo Premier*

Looking ahead to FY26–27F, we expect supply could improve by 3% and 1% yoy, respectively, supported by the post–La Niña effect, which is expected to have a stronger impact in FY26F and taper off in FY27F. Historically, La Niña condition boost palm tree FFB yields in Indonesia and Malaysia, though we expect Indonesia to drive the bulk of the recovery. Indonesia's production is projected to grow by 4% in FY26F before moderating to 2% in FY27F as weather effects fade.

In contrast, Malaysia's production growth will likely remain subdued due to persistent labor constraints, with estimated gap 30k-40k workers in FY26-27F. Around 70–80% of Malaysia's plantation workforce consists of migrant workers, mainly from Indonesia, Bangladesh, and Nepal. The government now requires firms to prioritize hiring locals trained through Technical and Vocational Education and Training (TVET) programs before applying for migrant labor quotas. Unlike in the past, companies must now submit formal applications to recruit foreign workers, creating additional bureaucracy. Rising minimum wages (up more than 10% since Feb25) and potential mandatory EPF contributions for foreign workers add further cost pressures, particularly for companies already operating on thin margin.

**Fig. 8: Malaysia's agriculture sector continued to face labor shortages as of 1Q25**




*Source: DOSM, Indo Premier*

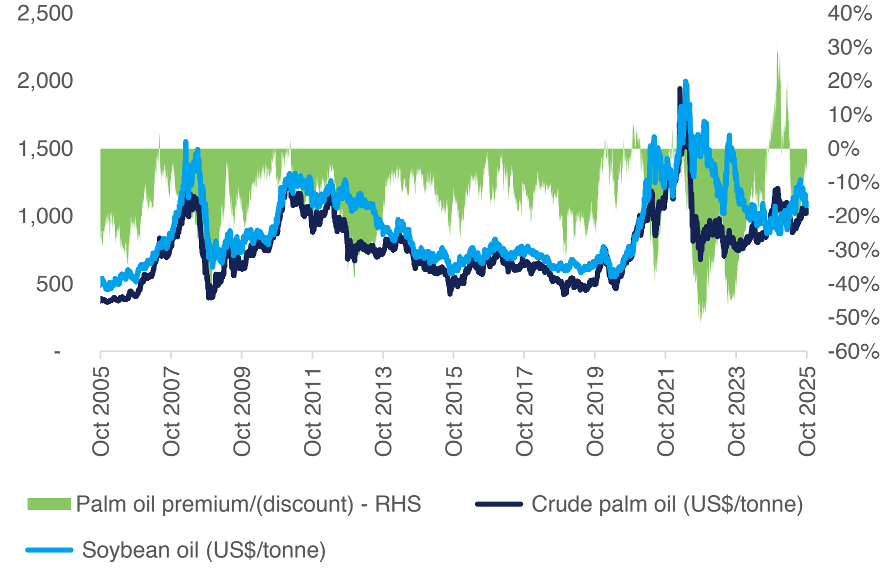
## Demand outlook in FY25-27F

Historically, palm oil demand has been shaped by several factors, including biofuel regulation, substitution and price competitiveness against other vegetable oils, and rising sustainability concerns. Vegetable oils are largely interchangeable, with substitution driven by cultural preferences, health awareness, technical requirement for specific uses, domestic availability, market prices, regulations, and geopolitical conditions.

We expect FY25F palm oil demand to grow by 2.7% yoy, supported by the rollout of Indonesia's B40 program beginning in 2Q25. For food consumption, we assume steady 1% yoy growth, in-line with the historical trend since 2019 (excluding incremental biodiesel volumes). In 2H25F, demand should remain resilient, driven by festive-related consumption in India during Oct–Nov and the recent tariff cuts on vegetable oils, including palm oil.

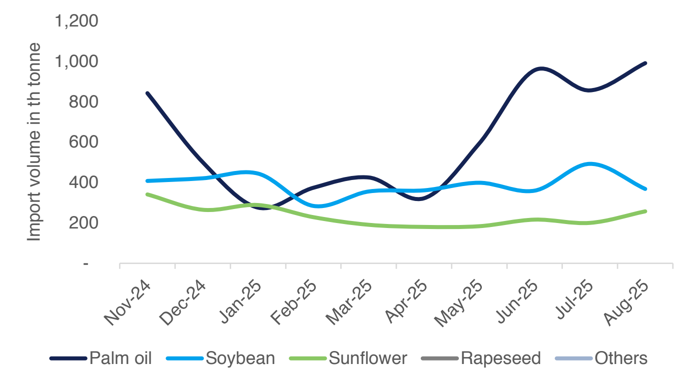
Competitiveness also remains favourable, with QTD3Q25 palm oil trading at a 13% discount to soybean oil, near the historical average since 2018 of 16%. With soybean oil prices rising since mid-2025, substitution into palm oil is likely, further reinforced by higher biofuel mandates in the US and Brazil. In India—the world's largest palm oil importer, the government reduced the basic import duty on crude vegetable oils from 20% to 10% in May 2025, lowering the effective tariff to 16.5% from 27.5%. This should spur import demand while supporting the local refinery sector. Additionally, low palm oil inventories in Indonesia shall provide further support to demand.

**Fig. 9: As of 3Q25, CPO prices traded at a discount of 13% to soybean oil (vs. an average discount since 2018 of 16%)**



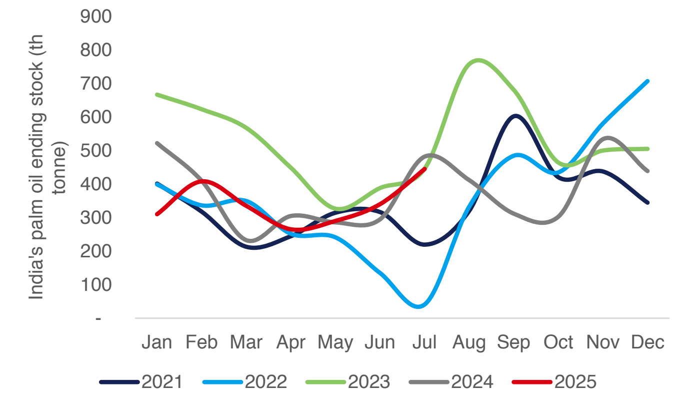

*Source: Bloomberg, Indo Premier*

**Fig. 10: We believe improved CPO price attractiveness has supported higher palm oil import volumes in India in YTD25**



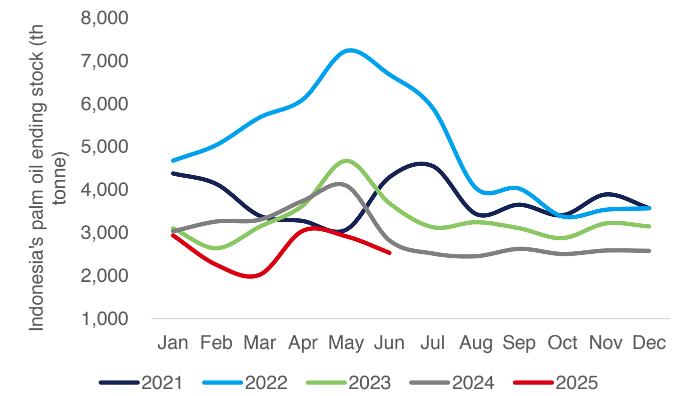

*Source: The Solvent Extractors' Association of India (SEA), Indo Premier*

**Fig. 11: Despite the higher palm oil import, India's palm oil inventory stayed in line with historical averages**



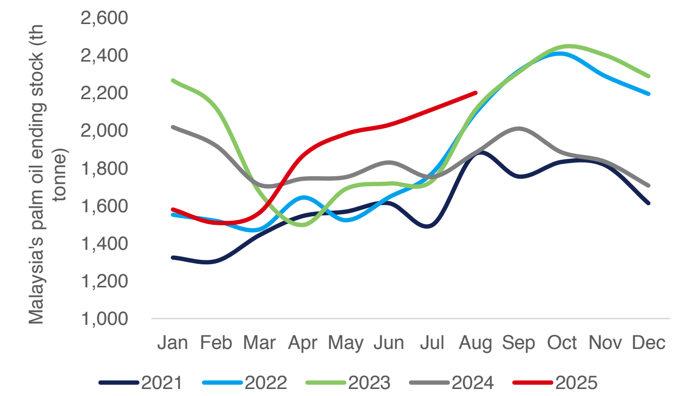

*Source: MPOC, Indo Premier*

**Fig. 12: Meanwhile, Indonesia's palm oil inventory was exceptionally low as of Jun25**




*Source: GAPKI, Indo Premier*

**Fig. 13: Whereas Malaysia's inventory remained ample as of Aug25**




*Source: Bloomberg, MPOC, Indo Premier*

We expect palm oil demand could expand by 3%/1% in FY26-27F, supported by the full rollout of Indonesia's B40 biodiesel program, with biodiesel usage projected at 16.3mn–16.8mn tonnes (vs. 11.4mn/13.6mn in FY24–25F). India's demand should also improve by 2%/5% in FY26-27F, as substitution from soybean oil accelerates, given the potential La Niña in 4Q25F may bring drier weather in Brazil and Argentina, tightening soy oil supply and lifting prices. Importantly, India's demand tends to adjust depending on Indonesian biodiesel absorption i.e. when biodiesel growth is limited, CPO imports by India could rise. Additional demand drivers include India's recent tariff cuts on vegetable oil imports and the structural expansion of quick-service restaurants, where CPO is preferred for deep-frying.

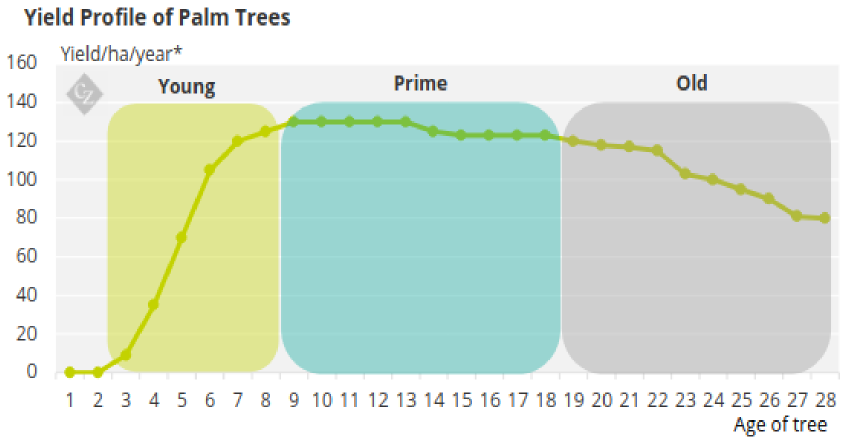
*[Note: India meets more than 70% of its vegetable oil demand through imports; palm oil from Indonesia, Malaysia, and Thailand; Soybean oil from China, US, Argentina, Brazil; sunflower oil from Russia, and Ukraine.]*

# MYR 4,000 per tonne could be the new floor price

We view MYR4k/tonne as a new floor, underpinned by steady demand growth and limited supply expansion due to ESG constraints.

In the long run, palm oil production growth will be limited by land constraints in Indonesia and Malaysia. Stricter regulations to curb deforestation and enhance sustainability mean future supply will depend on FFB yield improvements—through better seeds, replanting, and estate management—rather than land expansion. Replanting is capital-intensive and takes around four years to mature, leaving land underutilized in the near term and making production sensitive to weather risks.

**Fig. 14: Palm plant reaches its harvestable age in year 4/5 and reach peak maturity by year 9/10**



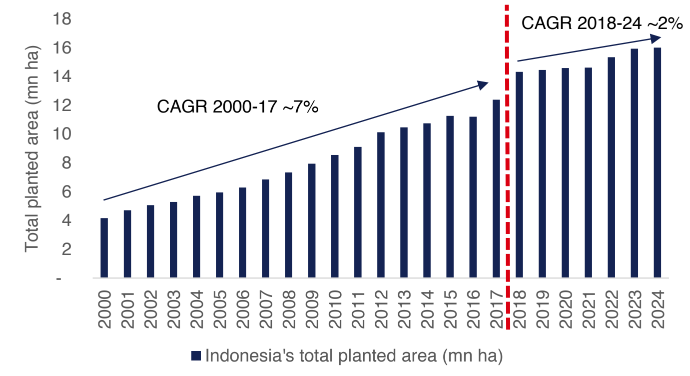

*Source: USDA*

**Measured as percentage of average FFB yield over 28 years*

In Indonesia, land expansion has slowed sharply as the government restricts new permits (HGU – Hak Guna Usaha), reinforced by a moratorium on new plantation licenses introduced in 2018 through President Instruction 8/18. The postponement of palm oil plantation permits and the evaluation of previously issued permits shall be carried out no later than three years from the issuance of this Presidential Instruction. However, there is still no certainty regarding the continuation of this moratorium up to now. In the absence of further decisions, major players have remained reluctant to pursue expansion.

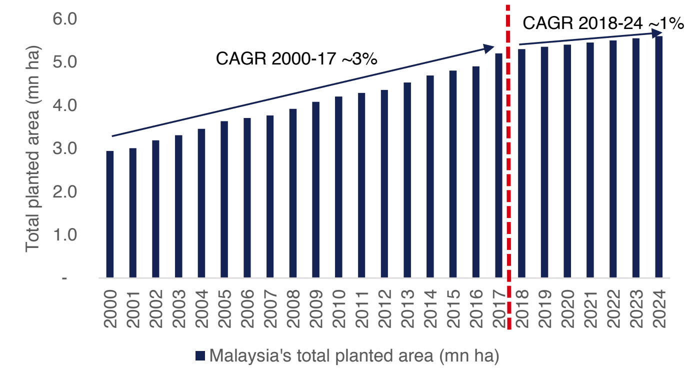
We observe similar land expansion challenges in Malaysia, where approvals have slowed and suitable land remains scarce, leaving planted areas plateaued since 2015. In 2023, the government capped palm estates at 6.5mn ha (vs. 5.8mn ha in 2024), theoretically leaving 0.7mn ha available. However, actual expansion has been minimal, which we attribute to tighter approvals and limited land suitability. Key states such as Selangor, Johor, and Sabah have halted new developments to protect forests, while MSPO certification imposes stricter sustainability standards than in Indonesia.

**Fig. 15: Indonesia's harvested area – we see a stagnation post-2018 moratorium**




*Source: BPS, CEIC, Indo Premier*

**Fig. 16: Malaysia's harvested area – We also see the same stagnation in Malaysia's harvested area since 2018**

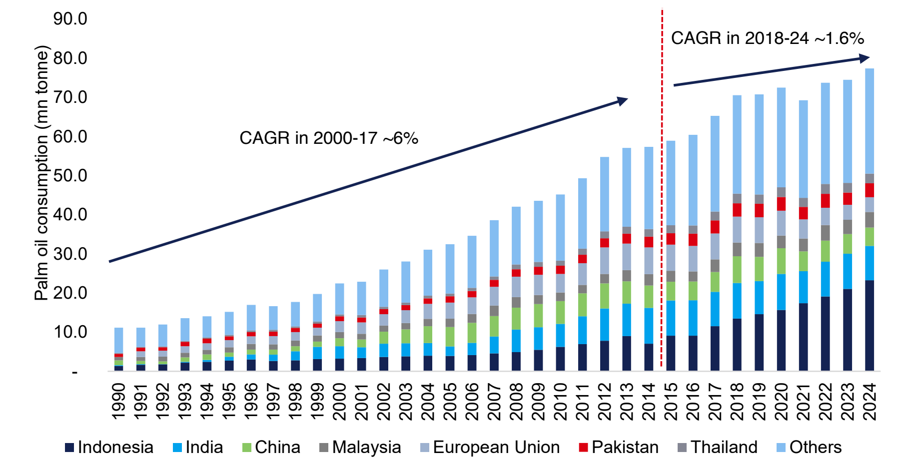



*Source: USDA, Indo Premier*

<u>Meanwhile, we expect palm oil consumption to steadily growing,</u> as it remains the most cost-efficient vegetable oil globally. Its high FFB yield per hectare and lower maintenance requirements, such as fertilizers and pesticides, make it significantly cheaper to produce other than oils.

Major producers like Indonesia and Malaysia also benefit from low labor costs and economies of scale, further strengthening palm oil's cost advantage. Additionally, palm oil's favorable characteristics—neutral flavor, high smoke point ideal for deep-frying, and longer shelf life for fried or baked foods—support sustained consumption in the future.

**Fig. 17: Global CPO demand grew just 1.6% CAGR in 2018–24, vs. 6% in 2000–17, as growth slowed post-2018 estate area cap in Indonesia**

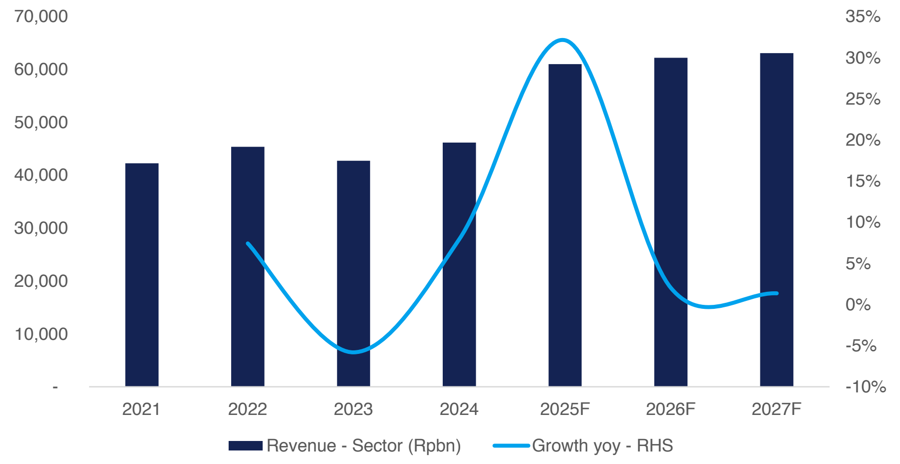



*Source: USDA, Economic Research Service, Indo Premier*

## Base case: 15% core NP CAGR in FY24-27F

We expect sector revenue to grow at a 11% CAGR in FY24-27F supported by improving sales volume (CPO & PKO) by 6% CAGR and improving ASP by 5% CAGR for CPO and 12% CAGR for PKO. Revenue growth is expected to be led by AALI (12% CAGR), driven by higher FFB purchases. However, this growth is likely to come at the expense of margin compression for AALI.

**Fig. 18: We expect revenue to grow by 11% CAGR in FY24-27F**



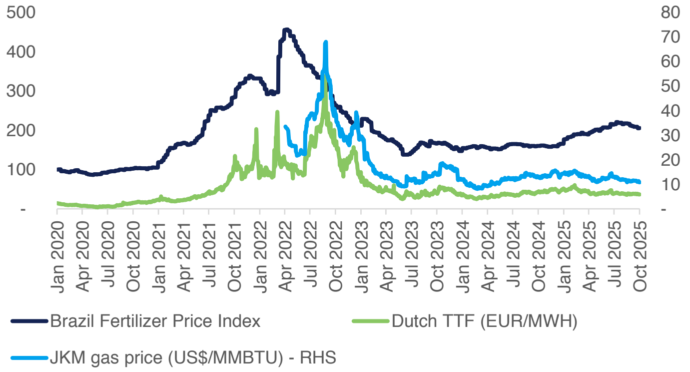

*Source: Indo Premier, Company*

We estimate the sector's cash cost per tonne (CPO and PKO sales volume) to rise by 5% CAGR in FY24–27F, led by AALI with an expected increase of 7% CAGR.

Fertilizer accounts for 15-20% of cash costs for companies under our coverage. In YTD-Sep25, fertilizer price rose 27% vs. the 2024 average, driven by China's nitrogen export restrictions, despite gas input costs rising only 7% yoy. We estimate 2H25 costs will be impacted by the 30% price increase in 2Q25 tenders, as CPO players typically secure fertilizer three to six months ahead. Accordingly, we forecast fertilizer costs to rise 15% yoy in FY25F, with part of the impact carrying into 2026F in line with the tender cycle.

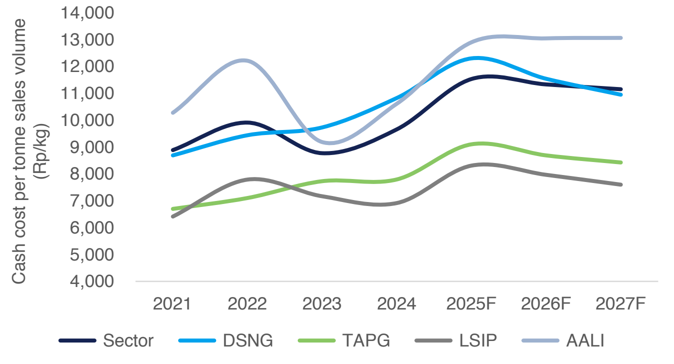
Looking ahead, we expect fertilizer costs to decline by -5%/-20% yoy in FY26/27F, with FY26F still reflecting the carry-over impact from 2025's cost increase. This is also supported by the consensus expectation of drop in gas prices by -18/-21% in FY26/27F as Golden Pass LNG in the US and Qatar's LNG expansion bring ample gas supply. Furthermore, China eased its nitrogen export restrictions in Jul25, which should provide additional relief to fertilizer prices.

**Fig. 19: Fertilizer prices (typically 70–77% correlated with gas) has diverged this year**




*Source: Indo Premier, Company*

**Fig. 20: Cash cost comparison**



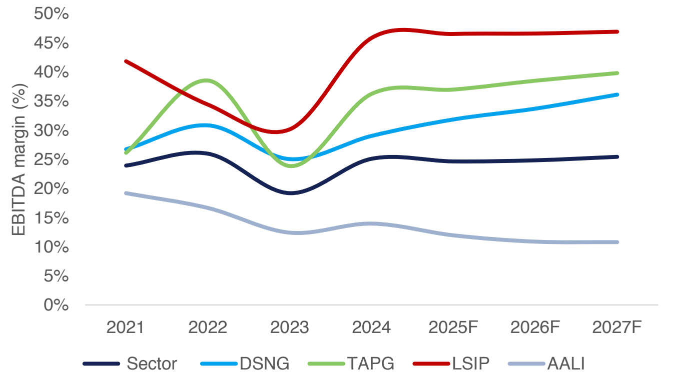

*Source: Indo Premier, Company*

Overall, we expect sector EBITDA to grow by 11% CAGR in FY24-27F, driven by DSNG (19% CAGR) on FFB yield improvement. Meanwhile, sector's core NP is expected to rise by 15% CAGR, still anchored by DSNG (36%), due to deleveraging process.

**Fig. 21: EBITDA is expected to grow by 11%**

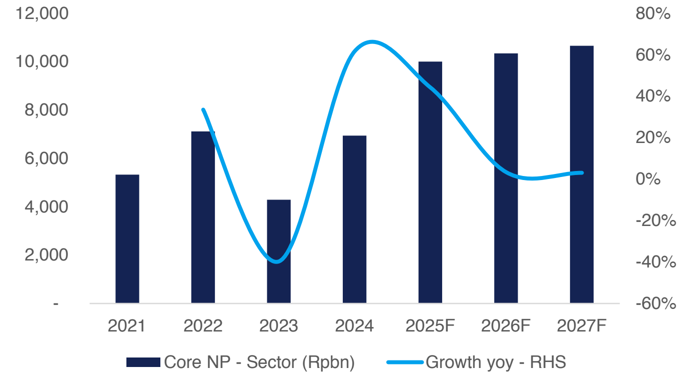

*Source: Indo Premier, Company*

**Fig. 22: EBITDA margin comparison - DSNG is expected to see the largest improvement**



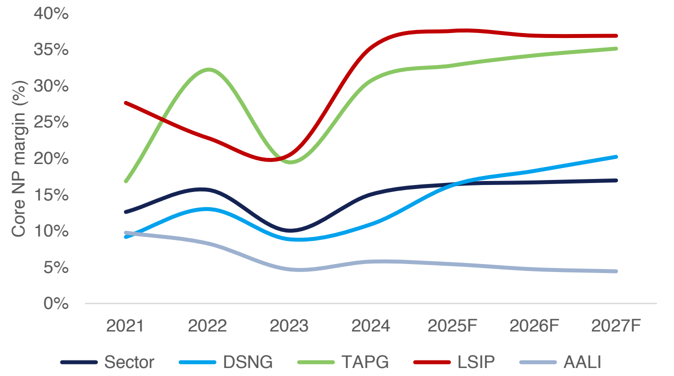

*Source: Indo Premier, Company*

**Fig. 23: Core NP is expected to rise by 15% CAGR in FY24-27F**



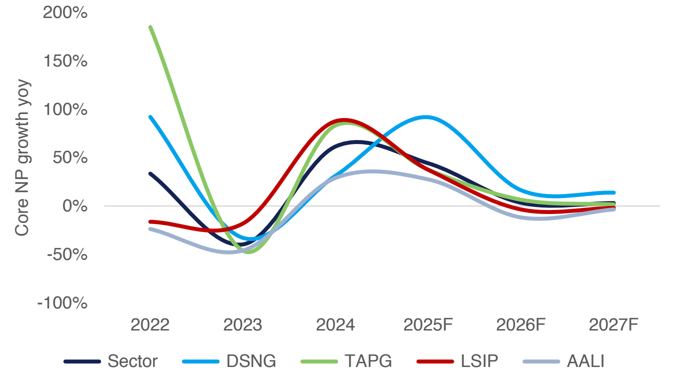

*Source: Indo Premier, Company*

**Fig. 24: Core NP margin comparison – LSIP is projected to maintain the highest core NP margin, followed by TAPG**



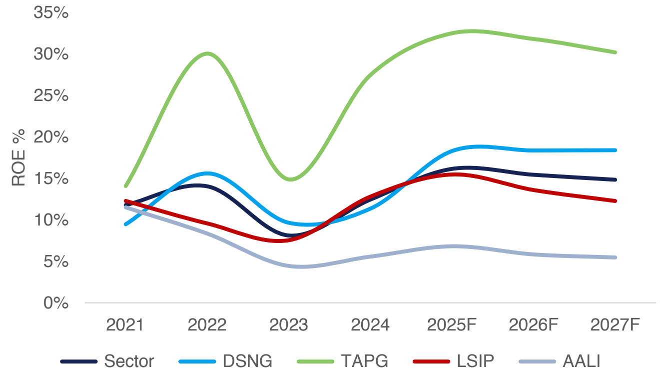

*Source: Indo Premier, Company*

**Fig. 25: Core NP growth comparison - DSNG is expected to lead growth in core NP**




*Source: Indo Premier, Company*

**Fig. 26: ROE comparison**




*Source: Indo Premier, Company*

We estimate the balance sheets of CPO players under our coverage to remain resilient, with net cash of 0.1–0.2x in FY25–27F (vs. a net debt position of 0.1x in 2021–23). TAPG, LSIP, and AALI are expected to maintain net cash positions, while DSNG continues deleveraging from its current net debt.

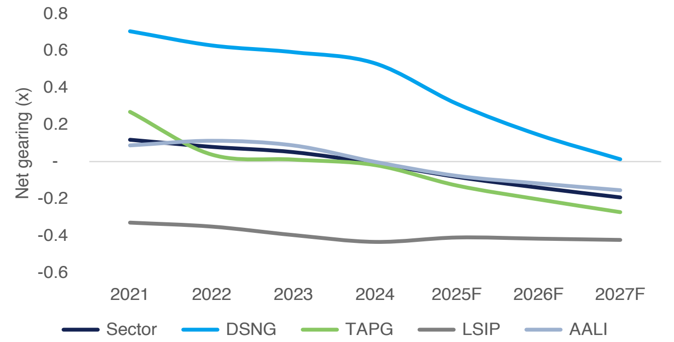
Capex should remain stable at 5% CAGR in FY26-27F, with AALI and TAPG are expected to increase spending through FY27F, driven by its more aggressive replanting strategy for AALI and development of new milling facility for TAPG. This should leave ample room for FCFF, supporting sustainable DPR of 48-50%, led by TAPG at ~80% p.a. in FY26–27F.

**Fig. 27: Dupont analysis**

| Sector ROE | 2021 | 2022 | 2023 | 2024 | 2025F | 2026F | 2027F |
|---|---|---|---|---|---|---|---|
| **DSNG** | | | | | | | |
| ROE | 9% | 16% | 10% | 11% | 18% | 18% | 18% |
| Core NPM | 9% | 13% | 9% | 11% | 16% | 18% | 20% |
| Asset turnover | 0.52 | 0.63 | 0.59 | 0.58 | 0.71 | 0.70 | 0.67 |
| Financial leverage | 1.99 | 1.91 | 1.86 | 1.79 | 1.58 | 1.44 | 1.36 |
| **TAPG** | | | | | | | |
| ROE | 14% | 30% | 15% | 27% | 33% | 32% | 30% |
| Core NPM | 17% | 32% | 19% | 31% | 33% | 34% | 35% |
| Asset turnover | 0.50 | 0.64 | 0.60 | 0.68 | 0.78 | 0.74 | 0.70 |
| Financial leverage | 1.66 | 1.45 | 1.27 | 1.32 | 1.27 | 1.26 | 1.23 |
| **LSIP** | | | | | | | |
| ROE | 12% | 10% | 8% | 13% | 15% | 14% | 12% |
| Core NPM | 28% | 23% | 20% | 35% | 38% | 37% | 37% |
| Asset turnover | 0.38 | 0.37 | 0.33 | 0.33 | 0.38 | 0.34 | 0.31 |
| Financial leverage | 1.16 | 1.14 | 1.10 | 1.10 | 1.09 | 1.08 | 1.08 |
| **AALI** | | | | | | | |
| ROE | 11% | 8% | 4% | 6% | 7% | 6% | 5% |
| Core NPM | 10% | 8% | 5% | 6% | 5% | 5% | 4% |
| Asset turnover | 0.80 | 0.75 | 0.72 | 0.76 | 1.03 | 1.02 | 1.01 |
| Financial leverage | 1.47 | 1.35 | 1.31 | 1.27 | 1.22 | 1.22 | 1.21 |

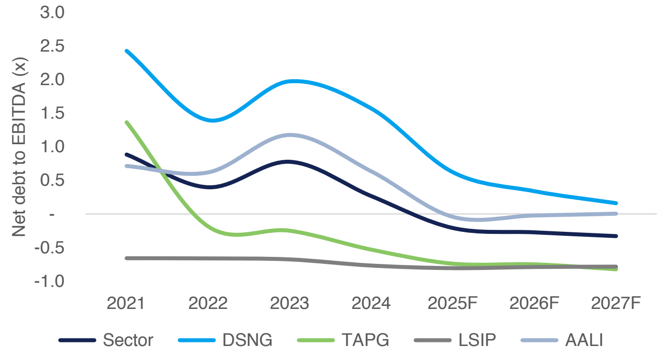
*Source: Indo Premier, Company*

**Fig. 28: Net gearing – We expect the sector to maintain a net cash position in FY25–27F**



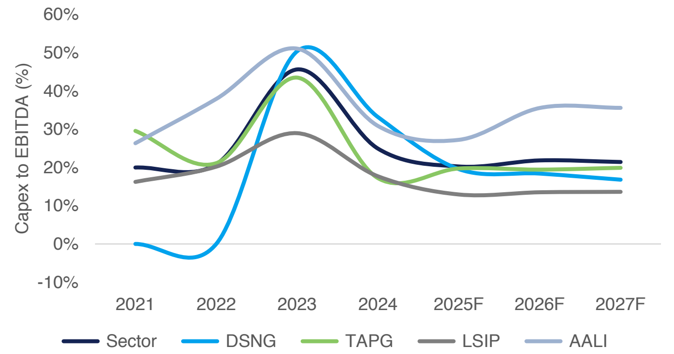

*Source: Indo Premier, Company*

**Fig. 29: Net debt to EBITDA**



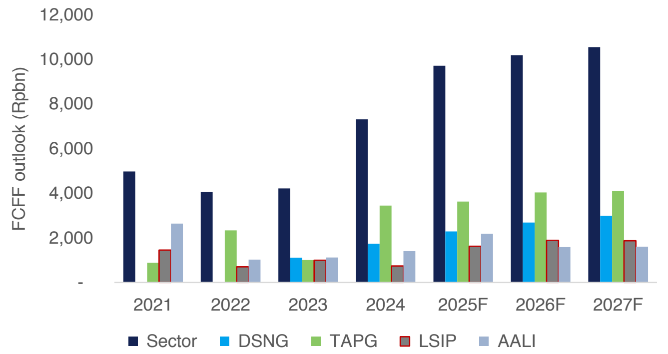

*Source: Indo Premier, Company*

**Fig. 30: Capex-to-EBITDA is projected to remain stable for the sector except for AALI**



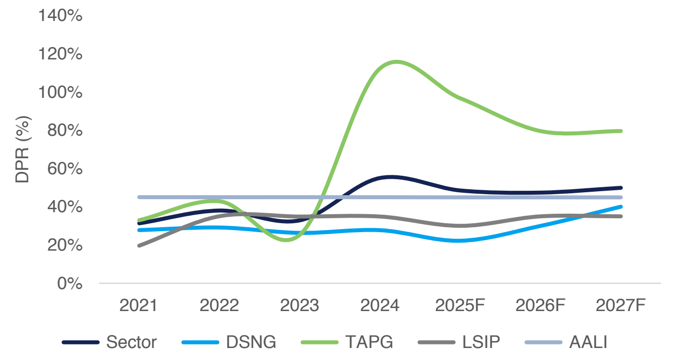

*Source: Indo Premier, Company*

**Fig. 31: FCFF is projected to remain strong across the sector, with none of our coverage expected to report negative FCFF**




*Source: Indo Premier, Company*

**Fig. 32: Thus, we expect DPR levels to be sustained, with DSNG's DPR projected to rise to 30%–40% in FY26–27F**




*Source: Indo Premier, Company*

**Fig. 33: Dividend yield comparison – TAPG has the highest potential dividend yield in FY25-27F**

| Div. yield | FY25F | FY26F | FY27F |
|---|---|---|---|
| DSNG IJ | 1.4% | 3.5% | 5.5% |
| TAPG IJ | 6.2% | 8.8% | 9.4% |
| LSIP IJ | 4.9% | 8.4% | 8.3% |
| AALI IJ | 3.8% | 4.5% | 4.2% |

*Source: Indo Premier, Company*

## Potential upside risks to CPO price

**#1 Indonesia's land usage permits (HGU) issue**

We view supply risks coming from Indonesia's land usage permit (HGU) issues, driven by overlapping land-use certifications between forest areas and plantation activities. This has been corroborated by recent statements that 3.1mn ha of palm oil plantations have already been seized out of a potential 5mn ha, with 1.5mn ha allocated to Agrinas Palma Nusantara — an Indonesian SOE, formerly Indra Karya, restructured to manage palm oil plantations, particularly those seized by the government due to illegal activities.

While no final regulation has been issued, the most discussed scenario is a joint-operation (JO) scheme under a revenue-sharing agreement or gross-split program, as based on our channel checks, some seized areas are located in remote regions. We think such a structure would likely be unattractive for operators, given higher cost burdens and legal uncertainties, raising the risk of estates being left idle, including delays in fertilization and estate management activities.

We still do not know how much of the seized area is located in remote regions. However, every 20% decline in output from the seized planted area could reduce CPO supply by 1–2mn tonnes, equivalent to 2% of Indonesia's CPO production and 1% of global supply. If this materializes, we estimate potential CPO price upside of 12% in FY26-27F, implying earnings upside of 15%–48% vs. our current estimates.

Within our coverage, DSNG indicated that the potential downside risk related to this matter remains very limited. TAPG guided for a total of ~400ha potentially affected or <0.3% of its total planted area, comprising ~300ha at the nucleus level and ~100ha at USTP (TAPG's 50% JV).

For LSIP and AALI, given the limited disclosures, we relied on Greenpeace's estimates for LSIP of ~97ha or 0.1% to its total planted area in FY25–27F. For AALI, we used the current run-rate following the seizure of ~85ha (32% of Greenpeace's estimate) at its subsidiary, Pasangkayu, in Jul25, leading us to assume a potential ~3.4k ha affected in FY25–27F or 2% of its total planted area. We have incorporated these factors into our FY25–27F base-case estimates, resulting in lower volume projections under the conservative assumption that potential seizures will begin in 4Q25F.

**Fig. 34: Rough calculation, we estimate using the same CPO yield in 2024, there could be potential volume removal of 1% of global supply**

| | Seized area | Potential seized area | Remarks |
|---|---|---|---|
| Total seized area (mn ha) | 3.1 | 5.0 | |
| Total seized area (mn ha) - planted only | 1.9 | 3.1 | |
| Contribution of planted area | 61% | 61% | Based on area condition given to Agrinas Palma |
| CPO Yield (t/ha) - 2024 | 3.0 | 3.0 | |
| % Potential removal volume - assumption | -20% | -20% | |
| **Total potential removed volume (mn tonne)** | **- 1.1** | **- 1.8** | |
| | | | |
| Total planted area indonesia (ha) - 2024 | 16.0 | 16.0 | |
| Total Indonesia's CPO production (mn tonne) - 2024 | 47.5 | 47.5 | |
| Total global CPO production - 2024 | 78.9 | 78.9 | |
| | | | |
| **% total potential loss volume to ID CPO production** | **-2%** | **-4%** | |
| **% of total potential loss volume to world's CPO production** | **-1%** | **-2%** | |

*Source: Indo Premier*

**Fig. 35: Planted hectares subject to land conflict for companies under our coverage**

| | Greenpeace data | | Company data | | | |
|---|---|---|---|---|---|---|
| | Planted hectares subject to land conflict/overlap (th ha) | % to total 2024's planted area | Planted hectares subject to land conflict/overlap (th ha) | % to total 2024's planted area | 2024's planted land area (th ha) - Nucleus only | Remarks |
| DSNG | 0.6 | 0.7% | - | 0.0% | 82.8 | According to Greenpeace (2021), DSNG had ~569 ha of overlapping land. However, the company confirmed that almost no planted area is affected, as the overlapping land was returned to the government before being planted. |
| TAPG (including USTP; 50% JV of TAPG) | 5.7 | 4.2% | 0.4 | <0.3% | 135.6 | Based on Greenpeace (2021), ~5.7k ha of TAPG's land is potentially subject to conflict. However, the company confirmed that about 400 ha of planted area is affected (~300ha at nucleus level, and ~100ha at USTP level), which is currently being processed by the government task force (Satgas) |
| LSIP | 0.1 | 0.1% | N/A | N/A | 91.2 | In LSIP, Greenpeace (2021) reported ~97 ha of overlapping land issues at the Suka Damai Estate, South Sumatra |
| AALI | 10.8 | 5.1% | N/A | N/A | 212.6 | A significant portion of AALI's HGU is classified under forest designation. Greenpeace (2021), estimates ~10.7k ha at PT Tunggal Perkasa Plantations (10.5k ha) and PT Pasangkayu (267ha), both companies are 99% subsidiary of AALI.<br><br>In Jul25, ~85ha of land at PT Pasangkayu, West Sulawesi was seized, representing ~32% of Greenpeace's estimated overlap, while broader areas remain uncertain. |
| **Total area** | **17.1** | | **0.40** | | | |

*Source: Greenpeace, Company, Indo Premier*

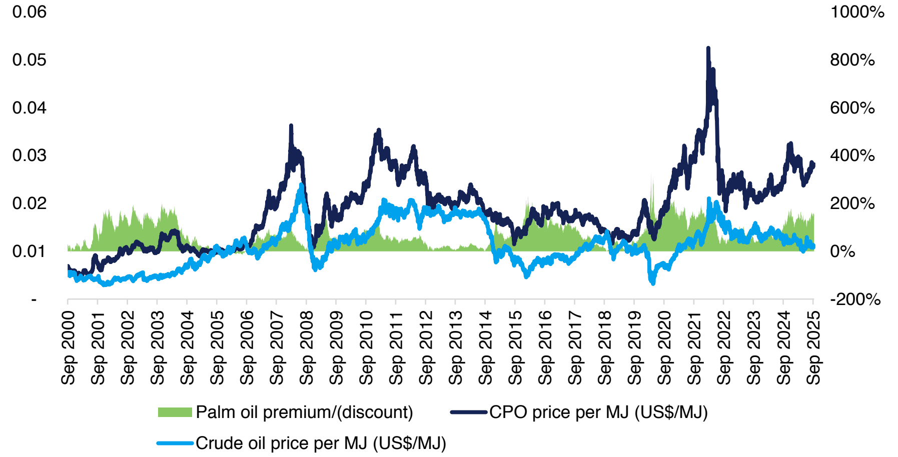
**#2 B50 implementation in Indonesia**

The government has signaled its intention to raise the biodiesel blend further to B50 (50% palm oil, 50% fossil fuel), potentially as soon as FY26F, according to our discussions with the Indonesian Palm Oil Association (GAPKI). If implemented, B50 could absorb an estimated 3–4mn kiloliters (KL) of palm oil annually, equivalent to 4–5% of global annual consumption.

Our current estimates have not taken into account this potential upside, as we view several issues need to be addressed by government before the implementation, including:

**1) Subsidies and challenge on raising the levy** – The government has been promoting biodiesel usage in Indonesia by providing subsidies to end-users, making biodiesel prices competitive with fossil fuel diesel. The greater the price difference between fossil fuel and CPO, the higher the subsidy required. Based on the current spread between CPO and fossil fuel prices, economic incentives to substitute fossil fuel with CPO appear limited, as our calculations indicate that B50 would only be cost-competitive if oil prices reach around US$170/bbl (assuming CPO at US$1,040/tonne).

**Fig. 36: In terms of energy rate, as of 16Sep25, CPO price premium position to crude oil price was 153%, larger than historical since 2021 c.106%**

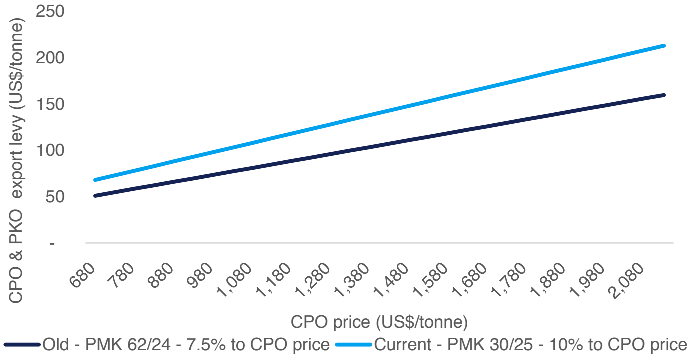



*Source: Bloomberg, Indo Premier*

These subsidies are managed by BPDPKS (Palm Oil Plantation Fund Management Agency), funded from the export levy. With no significant additional supply and current export run-rate, Indonesia's current production is likely insufficient to fully support B50 implementation, meaning higher biodiesel demand would come at the expense of exports. This trend has already been seen with B40 and B35, which absorbed 2.0mn tonnes and 2.7mn tonnes of CPO from exports, respectively. According to APROBI, if B50 is implemented in 2026, up to 6mn tonnes of CPO could be diverted from exports, reducing export volume to just 21mn tonnes.

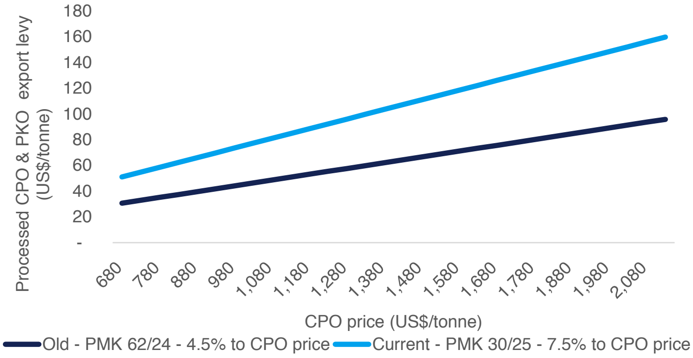
This raises a key question: how will the government fund the required subsidies and adjust export levies to maintain the subsidy pool? Based on our estimates, supporting B50 consumption of 19mn KL would require a subsidy of Rp76tr, highlighting the potential financial and fiscal challenge for policymakers. (Assuming CPO price US$1,050/tonne and crude oil price of US$68/bbl)

**Fig. 37: CPO and PKO export levies were increased in May25, from 7.5% of the CPO price to 10%**




*Source: GOI, Indo Premier*

**Fig. 38: We also note that processed CPO and PKO products saw higher export levies, raised from 4.5% to 7.5%**




*Source: GOI, Indo Premier*

**Fig. 39: Subsidy calculation needed if B50 is implemented**

| Key assumptions - Potential B50 implementation | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| USD IDR (Rpth/US$) | | | | | | | | 16.3 | | | | | | |
| Potential increase of biodiesel consumption in B50 (mn KL) | | | | | | | | 3.5 | | | | | | |
| Total biodiesel usage (mn KL) | | | | | | | | 19.1 | | | | | | |
| Total subsidized biodiesel (mn KL) | | | | | | | | 9.2 | | | | | | |
| % subsidized | | | | | | | | 48% | | | | | | |
| Subsidy per litre (Rp/l) | | CPO (US$/tonne) | | | | | | | | | | | | |
| | | 800 | 825 | 850 | 875 | 900 | 925 | 950 | 975 | 1,000 | 1,025 | 1,050 | 1,075 | 1,100 |
| Brent crude (US$/bbl) | 60 | 5,531 | 5,886 | 6,240 | 6,595 | 6,949 | 7,304 | 7,658 | 8,013 | 8,367 | 8,722 | 9,076 | 9,431 | 9,786 |
| | 62 | 5,326 | 5,681 | 6,035 | 6,390 | 6,744 | 7,099 | 7,453 | 7,808 | 8,162 | 8,517 | 8,871 | 9,226 | 9,581 |
| | 64 | 5,121 | 5,476 | 5,830 | 6,185 | 6,539 | 6,894 | 7,248 | 7,603 | 7,957 | 8,312 | 8,666 | 9,021 | 9,375 |
| | 66 | 4,916 | 5,271 | 5,625 | 5,980 | 6,334 | 6,689 | 7,043 | 7,398 | 7,752 | 8,107 | 8,461 | 8,816 | 9,170 |
| | 68 | 4,711 | 5,066 | 5,420 | 5,775 | 6,129 | 6,484 | 6,838 | 7,193 | 7,547 | 7,902 | 8,256 | 8,611 | 8,965 |
| | 70 | 4,506 | 4,861 | 5,215 | 5,570 | 5,924 | 6,279 | 6,633 | 6,988 | 7,342 | 7,697 | 8,051 | 8,406 | 8,760 |
| | 72 | 4,301 | 4,656 | 5,010 | 5,365 | 5,719 | 6,074 | 6,428 | 6,783 | 7,137 | 7,492 | 7,846 | 8,201 | 8,555 |
| | 74 | 4,096 | 4,451 | 4,805 | 5,160 | 5,514 | 5,869 | 6,223 | 6,578 | 6,932 | 7,287 | 7,641 | 7,996 | 8,350 |
| | 76 | 3,891 | 4,246 | 4,600 | 4,955 | 5,309 | 5,664 | 6,018 | 6,373 | 6,727 | 7,082 | 7,436 | 7,791 | 8,145 |
| | 78 | 3,686 | 4,040 | 4,395 | 4,750 | 5,104 | 5,459 | 5,813 | 6,168 | 6,522 | 6,877 | 7,231 | 7,586 | 7,940 |
| | 80 | 3,481 | 3,835 | 4,190 | 4,545 | 4,899 | 5,254 | 5,608 | 5,963 | 6,317 | 6,672 | 7,026 | 7,381 | 7,735 |
| | 82 | 3,276 | 3,630 | 3,985 | 4,339 | 4,694 | 5,049 | 5,403 | 5,758 | 6,112 | 6,467 | 6,821 | 7,176 | 7,530 |
| | 84 | 3,071 | 3,425 | 3,780 | 4,134 | 4,489 | 4,843 | 5,198 | 5,553 | 5,907 | 6,262 | 6,616 | 6,971 | 7,325 |
| Amount of subsidy needed (Rptr) | | CPO (US$/tonne) | | | | | | | | | | | | |
| | | 800 | 825 | 850 | 875 | 900 | 925 | 950 | 975 | 1,000 | 1,025 | 1,050 | 1,075 | 1,100 |
| Brent crude (US$/bbl) | 60 | 51 | 54 | 57 | 61 | 64 | 67 | 70 | 74 | 77 | 80 | 83 | 87 | 90 |
| | 62 | 49 | 52 | 55 | 59 | 62 | 65 | 68 | 72 | 75 | 78 | 81 | 85 | 88 |
| | 64 | 47 | 50 | 54 | 57 | 60 | 63 | 67 | 70 | 73 | 76 | 80 | 83 | 86 |
| | 66 | 45 | 48 | 52 | 55 | 58 | 61 | 65 | 68 | 71 | 74 | 78 | 81 | 84 |
| | 68 | 43 | 47 | 50 | 53 | 56 | 60 | 63 | 66 | 69 | 73 | 76 | 79 | 82 |
| | 70 | 41 | 45 | 48 | 51 | 54 | 58 | 61 | 64 | 67 | 71 | 74 | 77 | 80 |
| | 72 | 39 | 43 | 46 | 49 | 53 | 56 | 59 | 62 | 66 | 69 | 72 | 75 | 79 |
| | 74 | 38 | 41 | 44 | 47 | 51 | 54 | 57 | 60 | 64 | 67 | 70 | 73 | 77 |
| | 76 | 36 | 39 | 42 | 45 | 49 | 52 | 55 | 59 | 62 | 65 | 68 | 72 | 75 |
| | 78 | 34 | 37 | 40 | 44 | 47 | 50 | 53 | 57 | 60 | 63 | 66 | 70 | 73 |
| | 80 | 32 | 35 | 38 | 42 | 45 | 48 | 51 | 55 | 58 | 61 | 65 | 68 | 71 |
| | 82 | 30 | 33 | 37 | 40 | 43 | 46 | 50 | 53 | 56 | 59 | 63 | 66 | 69 |
| | 84 | 28 | 31 | 35 | 38 | 41 | 44 | 48 | 51 | 54 | 57 | 61 | 64 | 67 |

*Source: Indo Premier*

**2) Biodiesel plant capacity** - As of 2025, Indonesia's total national biodiesel capacity stood at 20mn KL, implying an utilization rate of around 80%, assuming the 2025F biodiesel target is achieved. To support B50, capacity would need to increase by an additional 4mn KL, as maximum plant utilization is typically capped at 80–85%. According to APROBI, 1.5mn KL of new capacity is expected to come online later in 2025, though this remains insufficient for B50 implementation. Developing new capacity generally requires 18–24 months.

**3) Preparation of automakers** – Additional considerations include engine compatibility, infrastructure upgrades, and long-term durability concerns from both automakers and logistics operators. Biodiesel presents technical challenges, such as higher susceptibility to microbial growth and oxidation, which increase the risk of fuel degradation and clogging.

If the government successfully addresses these challenges and recognizes the strategic importance of biodiesel to Indonesia's current account balance, we estimate that B50 implementation could lift CPO prices by at least 8% in FY26–27F, based on historical precedents of major seaborne volume removals.

Historically, significant increases in biodiesel mandates have driven double-digit price gains. However, this trend was disrupted in 2023, when ample supply from other vegetable oils weighed on palm oil prices despite stronger biofuel demand, and similarly in 2015 during a broader commodity downturn.

Based on our sensitivity analysis, companies under our coverage could see potential earnings upgrades of 10%-38% versus current forecasts if the average CPO price rises to MYR4.7k/tonne in FY26–27F, roughly 8% above the 2025 average.

**Fig. 40: CPO price movement during additional amount of required biodiesel blending**

| | B2.5 to B7.5 | B7.5 to B15 | B15 to B20 | B20 to B30 | B30 to B35 | B35 to B40 |
|---|---|---|---|---|---|---|
| | 2010 | 2015 | 2016 | 2020 | 2023 | 2024 |
| CPO avg. yearly price (MYR/tonne) - growth yoy | 22% | -9% | 21% | 29% | -25% | 11% |
| Average changes | 8% | | | | | |

*Source: Bloomberg, Indo Premier*

# Potential downside risks to CPO price

**#1 Land expansion for soybean in Brazil may trigger substitution**
Brazil's recent suspension of the Amazon Soy Moratorium (a voluntary sectoral agreement whereby commodity traders in the soy sector agreed to avoid buying soybeans from deforested areas of the Amazon after 2008) in Aug25 has raised concerns about increased deforestation and soybean expansion into the Amazon rainforest.

This policy shift could lead to a surge in soybean oil production, potentially displacing palm oil in global markets and exerting downward pressure on CPO prices. It is estimated that the moratorium, which had been in place since 2008, has preserved at least 18mn ha of rainforest.

Historically, in 2019, CPO prices in MYR declined by -3% despite a CPO production decline of 1mn tonnes, as higher soybean oil production (+2.4mn tonnes) dragged down soybean oil prices by -2% yoy in USD terms.

With Brazil's soybean yield of 3.6 t/ha (based on USDA) and potential additional land expansion of 1.1mn ha per year, our rough calculation suggests potential additional soybean production of +3.8mn tonnes p.a. Based on the 2019 yoy run rate, this could imply a potential CPO price decline of around -3% in FY26–27F, bringing CPO prices to MYR4.2k per tonne, implying a downside to our coverage's core NP by -3% to -8%.

**Fig. 41: Rough calculation on potential additional amount of soybean if Amazon land is open**

| Potential additional amount of soybean | |
|---|---|
| Soybean yield (tonne/ha) - 2025/26 | 3.6 |
| Potential expansion area per year (mn ha) | 1.1 |
| **Potential additional volume of soybean (mn tonne)** | **3.8** |

*Source: Bloomberg, Indo Premier*

**#2 Potential implementation of EU Deforestation Regulation (EUDR)**
The EU Deforestation Regulation ((EU) 2023/1115), part of the Green Deal, aims to ensure that commodities placed on the EU market are not linked to deforestation or forest degradation after 31$^{st}$ Dec20. Covered commodities include palm oil, soy, cattle, cocoa, coffee, rubber, and wood. Enforcement begins on 30$^{th}$ Dec25 for large companies and 30$^{th}$ Jun26 for SMEs.

Indonesia's ISPO certification does not contain explicit deforestation criteria and therefore will not be sufficient for compliance. RSPO and ISCC certifications provide stronger alignment, though companies must still provide geolocation data for traceability. We see scope for pricing premiums for compliant companies, particularly those already RSPO certified, as higher compliance costs create market differentiation. Smaller players, however, risk exclusion due to financial and structural barriers.

We estimate a potential reduction in CPO demand of 1.4mn tonnes in FY26-27F, based on non-RSPO CSPO deliveries to the EU, which accounted for 36% in 2024. According to recent updates, a group of 11 countries led by Austria, Luxembourg, and Germany has urged the European Commission to further simplify the rules and to delay implementation again, following the first postponement in 2024.

If the EUDR removes 1.4mn tonnes from demand and not being replaced; this shall widen the supply-demand balance to 2.4mn tonnes (vs. our current estimate of 1mn tonnes), we estimate a potential -13% yoy price decline in FY26–27F. This is based on 2018, when a 3mn-tonne oversupply led to a -

19% yoy price drop. Such a scenario would reduce our earnings estimates by -16% to -35%. However, we view this scenario as less likely, as other countries—such as India and Pakistan or Indonesia—could absorb the displaced volume

**Fig. 42: We estimate a potential demand loss of 1.4mn tonnes in FY26–27F if the EUDR is implemented in Dec25, as non-certified CPO cannot enter the EU market**

| Total EU's CPO consumption in 2022 | 4.4 mn tonne |
|---|---|
| RSPO CSPO deliveries to EU in 2022 | 2.8 mn tonne |
| Non RSPO CSPO consumption | 1.6 mn tonne |
| % RSPO CSPO | 64% |
| % non RSPO CSPO | 36% |

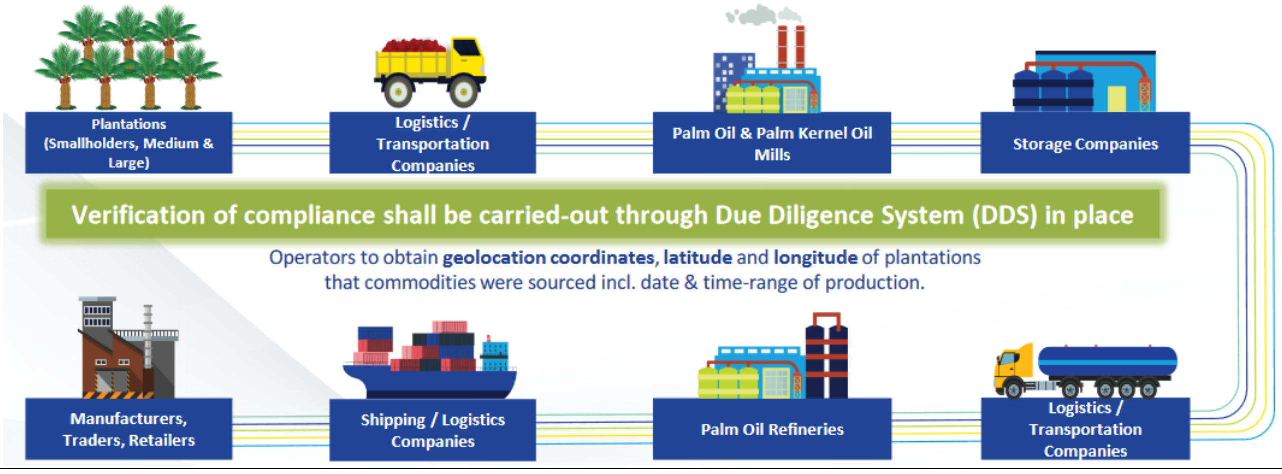
| Total EU's CPO consumption in 2024 | 3.8 mn tonne |
|---|---|
| RSPO CSPO consumption | 2.4 mn tonne |
| Non RSPO CSPO consumption | 1.4 mn tonne |
| % RSPO CSPO | 64% |
| % non RSPO CSPO | 36% |

*Source: USDA, Indo Premier*

**Fig. 43: EUDR timeline, now set to implemented in 31Dec25 – Previously it is set to implemented by Dec24 but delayed due to complains from trading partner such as Brazil and USA and industry criticism.**


*Source: Coolset*

**Fig. 44: Traceability requirements for EUDR compliance**




*Source: IPOC, Indo Premier*

**Fig. 45: Traceability requirements for EUDR compliance**

| To comply with the EUDR, commodities/companies must follow these conditions | | |
|---|---|---|
| **They are deforestation-free since the cut off date** | **They have been produced in accordance with the relevant legislation of the country of production. relevant legislation i.e.** | **They are covered by due diligence statements, which involve:** |
| | Land use rights | Geolocation data – Collect geographic data (lat/long) to verify land is deforestation-free post cut-off. |
| | Environmental protection | Risk assessment – Assess country of origin, deforestation risk, and governance for sustainable sourcing. |
| | Forest-related rules, including forest management and biodiversity conservation | Documentation and certification – Maintain supplier compliance records; use certifications (e.g., RSPO) to prove deforestation-free products. |
| | Third parties' rights | |
| | Labor rights and human rights protected under international law | |
| | The principle of free, prior and informed consent, including as set out in the UN declaration of Rights of Indigenous Peoples | |
| | Tax, anti-corruption, trade and customs regulation. | |

*Source: EUDR, Indo Premier*

## Valuation

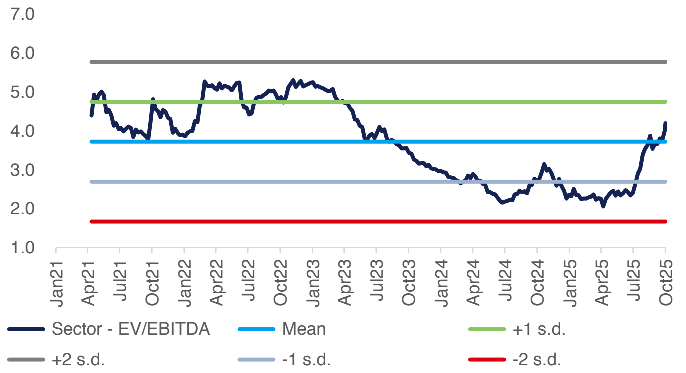
We reinitiate coverage on the plantation sector with an OW stance. Despite share prices rising 29%–142% YTD and EV/EBITDA valuations reaching mean since 2021, we believe elevated CPO prices, improving operations, and undemanding institutional ownership provide room for further rerating. The sector also stands to benefit from IDR depreciation.

Furthermore, we see Indonesia's valuations, trading at 7.2x P/E in FY26F, as attractive compared to Malaysian peers at 13x P/E. Indonesia also offers higher average ROE of 15-16% vs. Malaysia's 8-9%. In addition, Indonesia's 3-year CAGR is expected at +16% vs. -11% for Malaysia. Overall, we expect Indonesian palm companies to trade at a narrower discount to Malaysian peers, while accounting for Malaysia's premium for land ownership.

**Our pecking order: DSNG > TAPG > LSIP > AALI**

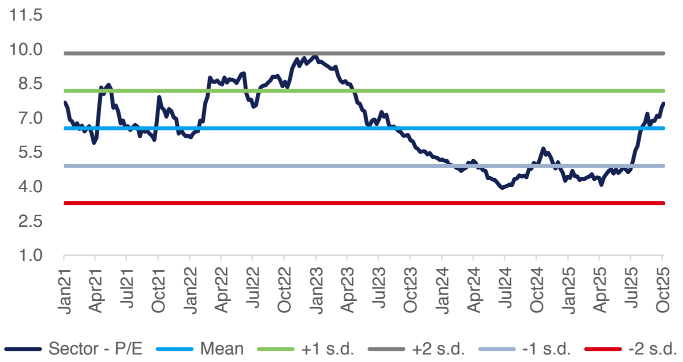
- **DSNG – BUY TP Rp2,400/sh –** is our top pick. We believe it should trade at a premium to peers given its RSPO certification, broader market access, and the highest earnings growth in our CPO universe, supported by operational improvements and deleveraging. Valuation remains attractive; as a benchmark, Genting Plantations (GENP MY, NR), with 100% RSPO certification and 70% of estates in Indonesia, trades at 7x EV/EBITDA and 13x P/E FY26F.
- **TAPG – BUY TP Rp2,100/sh –** could establish itself as the sector proxy, supported by solid operations, strong earnings visibility, and attractive dividend payout.
- **LSIP – BUY TP Rp1,500/sh –** remains attractive at current valuation and should benefit from elevated CPO prices, although FY25F earnings could represent a ST peak.
- **AALI – HOLD TP Rp7,900/sh –** faces limited rerating potential. Once the sector proxy, AALI is now weighed down by operational headwinds that cap upside despite supportive CPO prices. We reinitiate AALI with a HOLD call.

**Fig. 46: Sector EV/EBITDA**



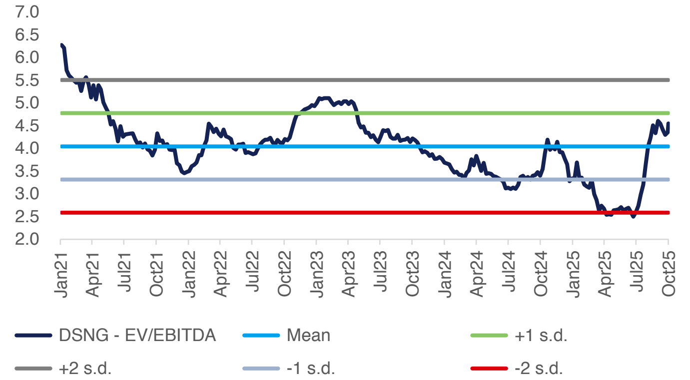

*Source: Bloomberg, Indo Premier*

**Fig. 47: Sector P/E**



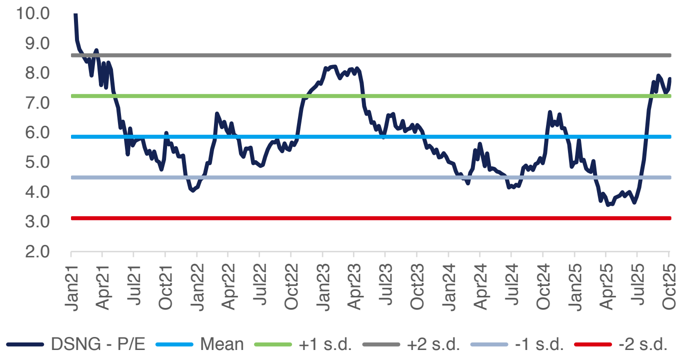

*Source: Bloomberg, Indo Premier*

**Fig. 48: DSNG EV/EBITDA**




*Source: Bloomberg, Indo Premier*

**Fig. 49: DSNG P/E**




*Source: Bloomberg, Indo Premier*

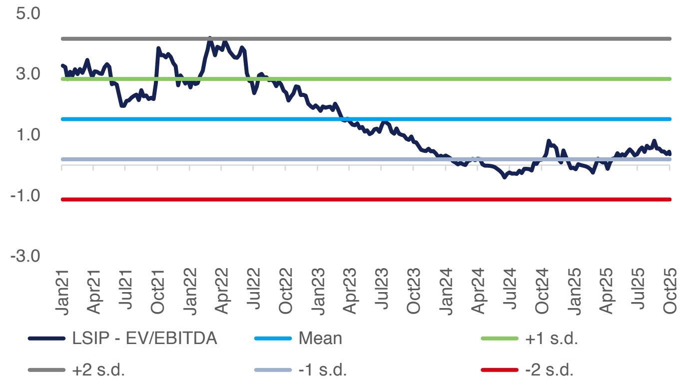
**Fig. 50: TAPG EV/EBITDA**


*Source: Bloomberg, Indo Premier*

**Fig. 51: TAPG P/E**

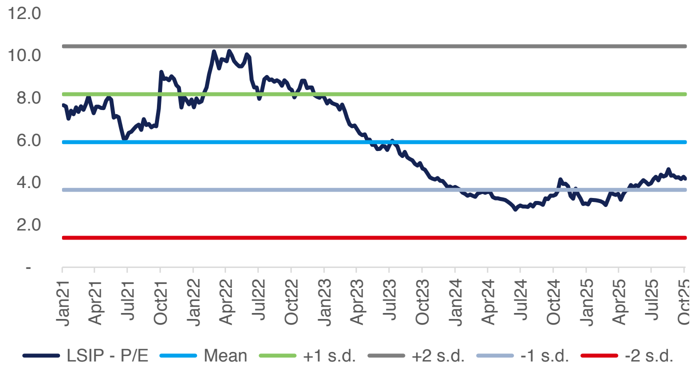

*Source: Bloomberg, Indo Premier*

**Fig. 52: LSIP EV/EBITDA**



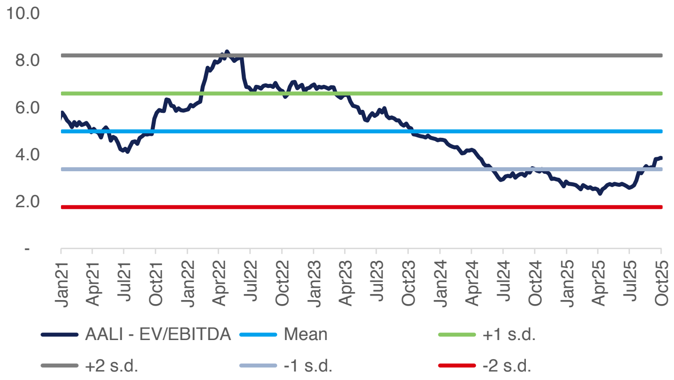

*Source: Bloomberg, Indo Premier*

**Fig. 53: LSIP P/E**




*Source: Bloomberg, Indo Premier*

**Fig. 54: AALI EV/EBITDA**



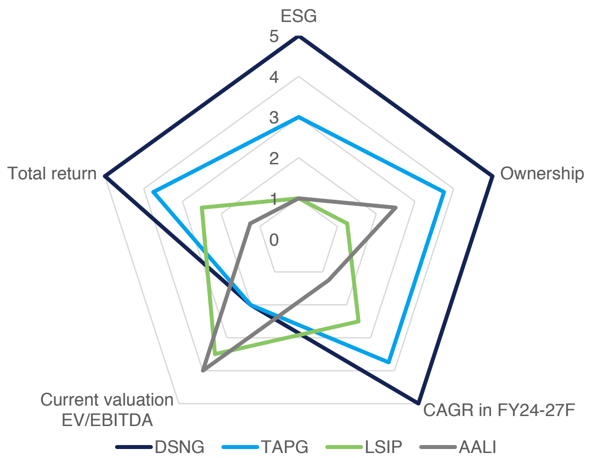

*Source: Bloomberg, Indo Premier*

**Fig. 55: AALI P/E**


*Source: Bloomberg, Indo Premier*

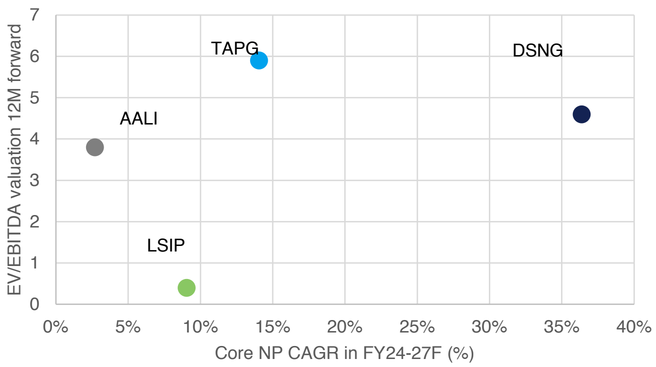
## DSNG as our top pick for its growth and TAPG for dividend yield

**Fig. 56: We are favoring DSNG among peers**



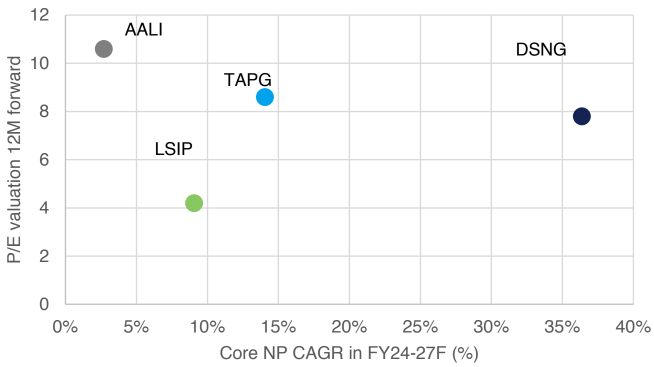

*Source: Bloomberg, Indo Premier*

**Fig. 57: Core NP CAGR vs. EV/EBITDA valuation**




*Source: Bloomberg, Indo Premier*

**Fig. 58: Core NP CAGR vs. P/E valuation**




*Source: Bloomberg, Indo Premier*

**Fig. 59: Palm plantation sector comparison – Indonesian palm companies trade below Malaysian peers, despite stronger fundamentals in ROE, earnings growth, and dividend yield**

| Company | Bloomberg ticke | Price (local curr.) | Target px | Market Cap (US$mn) | P/E (x) | | | EV/EBITDA (x) | | | 3-year EPS CAGR (%) | Div. yield | | | ROE | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | 2025F | 20265F | 2027F | 2025F | 20265F | 2027F | | 2025F | 20265F | 2027F | 2025F | 20265F | 2027F |
| **Indonesia** | | | | | **7.3** | **7.2** | **7.0** | **3.9** | **3.5** | **3.0** | **15.6** | **4%** | **6%** | **6%** | **16%** | **16%** | **15%** |
| Dharma Satya Nusantara | DSNG IJ EQUITY | 1690 | 2,400 | 1,080.0 | 8.5 | 7.3 | 6.4 | 5.3 | 4.4 | 3.6 | 36 | 1% | 4% | 5% | 18% | 18% | 18% |
| Triputra Agro Persada | TAPG IJ EQUITY | 1850 | 2,100 | 2,214.8 | 9.0 | 8.5 | 8.3 | 6.4 | 5.8 | 5.5 | 14 | 6% | 9% | 9% | 33% | 32% | 30% |
| PP London Sumatra Indone | LSIP IJ EQUITY | 1315 | 1,500 | 540.8 | 4.1 | 4.2 | 4.3 | 0.8 | 0.2 | (0.3) | 9 | 5% | 8% | 8% | 15% | 14% | 12% |
| Astra Agro Lestari | AALI IJ EQUITY | 7975 | 7,900 | 925.6 | 9.6 | 10.9 | 11.3 | 3.8 | 3.9 | 3.5 | 3 | 4% | 4% | 4% | 7% | 6% | 5% |
| Salim Ivomas Pratama | SIMP IJ EQUITY | 620 | NR | 579.6 | 5.4 | 5.0 | 4.5 | 3.2 | 3.0 | 2.8 | 16 | 3% | 4% | 4% | 8% | 9% | 9% |
| **Malaysia** | | | | | **13.5** | **13.4** | **13.3** | **7.6** | **7.6** | **7.6** | **(11)** | **4%** | **4%** | **4%** | **9%** | **8%** | **8%** |
| SD Guthrie | SDG MK EQUITY | 5.25 | NR | 8,628.6 | 20.1 | 20.5 | 21.1 | 9.9 | 10.1 | 10.3 | (1) | 3% | 3% | 3% | 9% | 9% | 8% |
| IOI Corp | IOI MK EQUITY | 3.97 | NR | 5,838.4 | 19.2 | 18.6 | 18.6 | 14.3 | 14.2 | 14.2 | (4) | 3% | 3% | 3% | 11% | 10% | 10% |
| KL Kepong | KLK MK EQUITY | 20.3 | NR | 5,346.2 | 18.4 | 17.3 | 17.2 | 10.4 | 10.2 | 10.0 | (36) | 3% | 3% | 3% | 9% | 9% | 9% |
| Genting Plant | GENP MK EQUIT | 4.94 | NR | 1,051.1 | 13.2 | 13.1 | 13.6 | 6.7 | 6.8 | 6.9 | (9) | 5% | 5% | 5% | 7% | 6% | 6% |
| SWK Oil Palms | SOP MK EQUITY | 3.34 | NR | 704.3 | 6.9 | 7.0 | 6.9 | 2.6 | 2.6 | 2.6 | (6) | 4% | 3% | 4% | 11% | 10% | 10% |
| Ta Ann | TAH MK EQUITY | 4.15 | NR | 432.3 | 9.8 | 10.3 | 9.9 | 4.6 | 4.8 | 4.8 | (17) | 7% | 7% | 7% | 10% | 9% | 9% |
| TSH Resources | TSH MK EQUITY | 1.17 | NR | 354.1 | 9.8 | 10.4 | 10.0 | 4.8 | 5.3 | 5.3 | (7) | 2% | 2% | 2% | 8% | 7% | 7% |
| TH Plantation | THP MK EQUITY | 0.54 | NR | 111.3 | 11.0 | 10.2 | 8.9 | 7.4 | 7.2 | 6.9 | (7) | 5% | 5% | 6% | 6% | 6% | 7% |
| **Singapore** | | | | | **8.9** | **9.0** | **8.8** | **5.9** | **6.0** | **6.1** | **13** | **6%** | **6%** | **6%** | **19%** | **17%** | **16%** |
| First Resources | FR SP EQUITY | 1.71 | NR | 2,055.2 | 7.6 | 7.8 | 7.5 | 5.9 | 6.1 | 6.4 | 16 | 7% | 6% | 6% | 20% | 17% | 15% |
| Bumitama Agri | BAL SP EQUITY | 1.14 | NR | 1,493.4 | 10.2 | 10.3 | 10.1 | 5.9 | 5.9 | 5.8 | 10 | 6% | 6% | 6% | 18% | 17% | 16% |

*Source: Bloomberg, Indo Premier*

**Our take from historical acquisitions**

We note that implied transaction valuations in the plantation sector have surged in recent years, particularly in 2025, underpinned by elevated CPO prices that appear sustainable over the medium term. Valuations are further supported by structural constraints on new greenfield expansion, which enhance the scarcity premium of existing assets.

Our valuation for DSNG and TAPG implies EV/ha of US$13k-14k, above the average of recent acquisition benchmarks such as ANJT IJ (NR) and subsidiaries of GLBH MY (NR) at US$11k/ha. However, we believe our valuations for DSNG and TAPG remain below their potential acquisition value if sold to the real sector, given stronger operational profiles, estates now reaching optimal age, and, in DSNG's case, a strong balance sheet and RSPO certification that should provide further premium. By contrast, the recent deals in ANJT and GLBH were struck on assets at a younger, less-optimized stage.

Our valuations for AALI and LSIP remain below recent acquisition benchmarks at EV/ha of US$1k-3k, as we believe the equity market will continue to apply a discount for operational hiccups and governance issues. That said, AALI and LSIP may rerate significantly should a corporate action emerge, similar to ANJT IJ, where share price jumped 251% since a month before acquisition announcement, more than its tender offer level Rp1,813/sh, versus its prior trading average of EV/ha of US$5.4k (vs. implied acquisition value of US$9.4k/ha).

**Fig. 60: Our implied valuation per ha**

| | 2026F |
|---|---|
| **DSNG** | |
| Target share px (Rp/sh) | 2,250 |
| Implied market share/ha | 13,042 |
| Implied EV/ha | 14,222 |
| **TAPG** | |
| Target share px (Rp/sh) | 1,800 |
| Implied market share/ha | 13,576 |
| Implied EV/ha | 12,903 |
| **LSIP** | |
| Target share px (Rp/sh) | 1,550 |
| Implied market share/ha | 5,167 |
| Implied EV/ha | 1,060 |
| **AALI** | |
| Target share px (Rp/sh) | 7,700 |
| Implied market share/ha | 3,224 |
| Implied EV/ha | 2,850 |

*Source: Indo Premier*

**Fig. 61: Historical acquisitions on palm plantations**

| Acquisition year | Acquiring company | Acquired asset/company | % acquired stake | Acquired area (th ha) | Transaction value (100% stake) - US$mn | Implied transaction value per ha | Net debt and Minority | Implied EV | Implied EV/ha (US$/ha) | Remarks |
|---|---|---|---|---|---|---|---|---|---|---|
| **Realized** | | | | | | | | | | |
| Oct-15 | FGV Holdings | Asian Plantation Ltd. | 100% | 14.7 | 173.6 | 11,792 | 158.0 | 331.7 | 22,527.8 | Pre-acquisition, APL owned 24,622 ha of oil palm plantations across five wholly owned estates. However, up to 40% of the land was unplantable, with 7.3k ha unsuitable for planting and 2.6k ha encumbered by native customary rights, leaving only 15k ha of planted area. The acquisition subsequently became the basis for the lawsuit against FGV's former CEO. |
| Sep-18 | Green Global Lestari (part of LX International of LG International) | Grand Utama Mandiri and Tintin Boyok Sawit Makmur (part of Barito Pacific Group) | 95% | 25.0 | 71.5 | 2,859 | N/A | 71.5 | 2,858.9 | |
| Nov-23 | Evans Indonesia (EI; part of MP Evans Group PLC; listed in London Stock Exchange, a British plantation group with its core operations in Indonesia, manages oil palm estates and mills) | Agro Bumi Kaltim and Nusantara Agro Sentosa (subsidiaries of Palma Serasih - PSGO IJ, NR) | 100% | 8.4 | 38.3 | 4,588 | N/A | 38.3 | 4,588.0 | Almost 90% of plantations in ABK and NAS were established between 2017–2019, making them 6–8 years old and categorized as young plantations. According to 2023 news, the EI Group was planning to pursue RSPO registration. The anticipated RSPO-related costs and the loss-making condition of the companies at the time of acquisition, driven by the young age profile, were factored into the acquisition valuation. |
| May-25 | First Resources Limited (FR SP, NR) | Austindo Nusantara Jaya (ANJT IJ, NR) | 100% | 53.4 | 362.3 | 6,790 | 138 | 500.2 | 9,374.8 | The transaction value already includes the tender offer at Rp1,813/sh or Rp376bn in total. As of 31Dec24, ANJT had a total landbank of 155k ha across Indonesia, of which 53.4k ha was planted (nucleus: 48.3k ha; plasma: 5k ha). The average age of the oil palm plantations was ~13 years, with an FFB yield of 18.4t/ha in 2024 (20.3t/ha in 2023) and an OER of 19.9% in 2024 (20.6% in 2023). |
| Jun-25 | Teladan Prima Agro (TLDN IJ, NR) | Cipta Davia Mandiri (CDM), subsidiary of REA Kaltim Plantations (Associate of DSNG IJ, DSNG holds 35% stake as of Jun25) | 100% | 3.1 | 8.3 | 2,665 | N/A | 8.3 | 2,664.7 | |
| Jul-25 | Evans Indonesia (EI; part of MP Evans Group PLC; listed in London Stock Exchange, a British plantation group with its core operations in Indonesia, manages oil palm estates and mills) | Setara Kilau Mas Adicita (SKMA) and Sumber Bumi Serasi (SBS) (both are subsidiaries of Golden Land (GLBH MY, NR) | 100% | 2.8 | 34.2 | 12,436 | N/A | 34.2 | 12,436.4 | The acquired area is located near the Group's Bumi Mas estate in East Kalimantan. The plantations, established in 2016, are still categorized as young at 9 years old. For the year ended 30Jun24, the area produced 50.3k tonnes, implying an FFB yield of 18t/ha. RSPO certification costs were factored into the acquisition, as the acquiring company plans to pursue RSPO for this area. |
| Aug-25 | MKH Oil Palm (MKH MY, NR) | Tunas Tani Tutus (part of Sinar Reka Murni; Non-listed company) | 100% | 3.1 | 2.1 | 684 | N/A | 2.1 | 684.3 | Tunas Tani Tutus received its Plantation Business Permit from the Indonesian government on 1Aug25, allowing planting activities to begin immediately. The lower implied valuation reflects the unplanted land area. With this acquisition, MKH Oil Palm's landbank increased to 21.3k ha. The acquired land is located in Sebulu and Muara Kaman, East Kalimantan, about an hour's drive from MKHOP's existing estate. |
| **Potential** | | | | | | | | | | |
| N/A | N/A | Sampoerna Agro Lestari (SGRO IJ, NR) | 66% | 128.0 | 500.0 | 3,906 | 155 | 655.2 | 5,118.8 | The buyer still prefers not to be disclosed. For reference, SGRO's plantation recorded an FFB yield of 14.7t/ha in 2024, lower than peers of similar age (14 years) at 20–22t/ha. This was mainly due to a higher proportion of immature area at 17% versus peers at 3–7% in 2024. |
| | | | | 128.0 | 700.0 | 5,469 | 155 | 855.2 | 6,681.3 | |

*Source: Indo Premier, Various sources*

## Varying correlation between CPO prices and plantations' share price

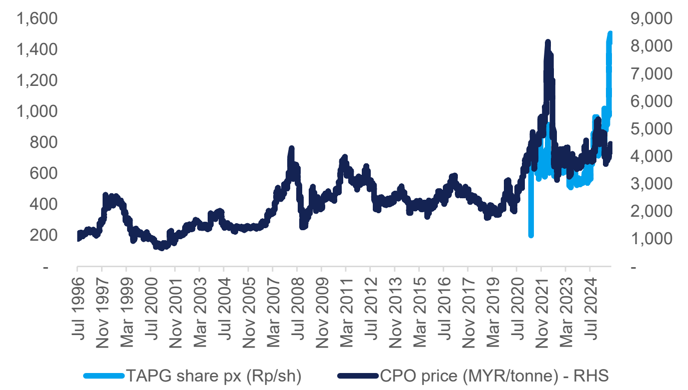
The correlation analysis between CPO prices and plantation stocks shows varying levels of sensitivity across counters. Since 2021, AALI and LSIP have exhibited the highest correlation, suggesting their share prices are more directly influenced by CPO movements. Meanwhile, TAPG and DSNG show lower correlations. For TAPG, this is attributable to its plantations reaching maximum productivity age post-2021, which boosted production volumes and reduced its reliance on price movement. For DSNG, the lower correlation reflects a higher upside relative to CPO prices, supported by improvements in its ESG profile and its younger plantation age structure.

**Fig. 62: Correlation between CPO price with share price; LSIP has the highest correlation among other palm plantation players**

| | TAPG | DSNG | AALI | LSIP |
|---|---|---|---|---|
| Correlation since IPO | 14% | 42% | 35% | 52% |
| Correlation before 2008 | N/A | N/A | 61% | 58% |
| Correlation 2008-20 | N/A | 2% | 43% | 59% |
| Correlation since 2021 | 14% | 9% | 56% | 57% |

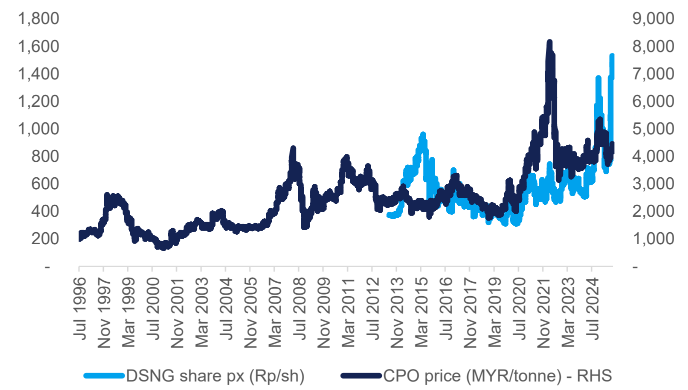
*Source: Bloomberg, Indo Premier*

**Fig. 63: Correlation between TAPG share price with CPO price**



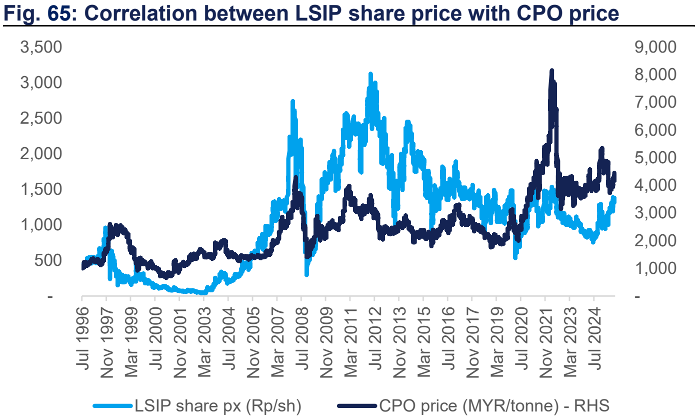

*Source: Bloomberg, Indo Premier*

**Fig. 64: Correlation between DSNG share price with CPO price**




*Source: Bloomberg, Indo Premier*

**Fig. 65: Correlation between LSIP share price with CPO price**




*Source: Bloomberg, Indo Premier*

**Fig. 66: Correlation between AALI share price with CPO price**


*Source: Bloomberg, Indo Premier*

Overall, the correlation among plantation players remains fairly strong; however, we note an inverse correlation between TAPG and DSNG toward AALI. We view this as a potential indication of a shift in market perception of CPO proxies in Indonesia, where investors may increasingly favor TAPG and DSNG over AALI as representative plays on the sector.

**Fig. 67: Less correlation among players (2022 - today)**

| | TAPG | DSNG | AALI | LSIP |
|---|---|---|---|---|
| TAPG | 100% | 77% | -18% | 53% |
| DSNG | 77% | 100% | -40% | 18% |
| AALI | -18% | -40% | 100% | 66% |
| LSIP | 53% | 18% | 66% | 100% |

*Source: Bloomberg, Indo Premier*

# Brief overview on Indonesia's regulatory framework

**Export ban**

In response to spike in domestic cooking-oil prices and supply shortages, the Indonesian government imposed a temporary export ban on CPO and derivative products on 28 Apr 2022 under Trade Ministry Regulation No. 22/2022, prioritizing food affordability over export revenue. However, the policy created immediate problems, including supply gluts, revenue losses, and a steep fall in FFB prices that hurt small estate holders. After just three weeks, the government lifted the ban on 23 May 2022 through regulation No. 30/2022, reinstating exports alongside reinforcements such as DMO and DPO to protect supply and stabilize prices. Currently, no export ban is in place, though a similar policy could be reintroduced if domestic shortages reoccur.

**Domestic market obligation (DMO) and domestic price obligation (DPO)**

DMO and DPO are mechanisms used by the Indonesian government to stabilize domestic cooking-oil supply and prices. Under DMO, upstream producers (CPO and derivative products) must allocate a portion of output—typically 20% for CPO and 30–40% for refined products—to the domestic market before exporting. Meanwhile, the DPO sets a maximum selling price for domestic buyers, ensuring affordability during periods of global price spikes.

By contrast, Malaysia does not impose DMO or DPO. Instead, it uses export levies and subsidies: revenues from export taxes are redistributed to subsidize bulk cooking oil, helping to keep prices affordable.

**Plasma scheme requirement**

In Indonesia, plantation companies must dedicate at least 20% of their cultivated area to plasma smallholder schemes, which include technical training and market support. This requirement is designed to foster community empowerment and improve smallholder livelihoods, while also contributing to sustainable industry development.

# Certification and ESG standards overview

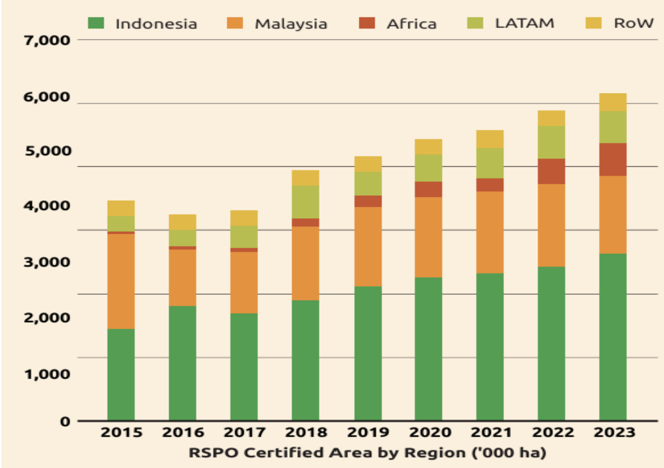
Palm oil sustainability rules started in the early 2000s as concerns about deforestation grew. The first standard was RSPO (Roundtable on Sustainable Palm Oil; 2004), joined by big buyers like Unilever and Nestlé. Later, the EU's Renewable Energy Directive pushed the creation of ISCC (International Sustainability and Carbon Certification), mainly for biofuels. Today, RSPO is most used for consumer goods, ISCC is needed for EU biofuels, while Indonesia (ISPO - Indonesian Sustainable Palm Oil) and Malaysia (MSPO - Malaysian Sustainable Palm Oil) built their own systems. MSPO is seen as stricter than ISPO, especially on deforestation, which helps Malaysia in the EU market.

**RSPO (Roundtable on Sustainable Palm Oil)**

Established in 2004, RSPO is the leading global sustainability certification for palm oil. It ensures practices such as zero deforestation, fair labor standards, and responsible environmental management. Indonesia produces 3.9-4 mn tonnes of RSPO-certified palm oil annually, accounting for nearly half of the global certified supply, but less than 10% of its national output. Compliance costs limit adoption, though certified producers benefit from stronger ESG credentials, access to developed markets, and potential premium pricing.

Certification requires annual surveillance audits and full recertification every five years.

**Fig. 68: In 2023, total certified area reached 5.2mn ha, with Indonesia was the majority**




*Source: RSPO*

**ISCC (International Sustainability & Carbon Certification)**

ISCC offers a broader certification covering agricultural and forestry biomass, renewable energy, and bio-based materials. For palm oil, ISCC is particularly relevant for exports to the EU, as it is recognized under the EU Renewable Energy Directive (RED III). Key RED III requirements include:

- No deforestation or land conversion after 31 Dec 2007
- GHG savings targets (>70% for new plants, >65% for existing)
- Stronger traceability and phase-out of high ILUC-risk feedstocks
- Respect for labor and land rights
- Certification is granted following an independent audit and renewed annually.

Compared with RSPO, ISCC provides stronger access to EU biofuel markets and enhances ESG positioning, with producers sometimes able to command US$2–20/tonne premiums.

**ISPO (Indonesia Sustainable Palm Oil)**

Through Presidential Regulation No. 16/2025 (revising Regulation No. 44/2020), Indonesia requires all CPO players: including planters, downstream firms, and bioenergy producers to obtain ISPO certification. The requirements cover compliance with laws, sustainable plantation management, biodiversity protection, labor and social responsibility, transparency, and long-term business sustainability.

ISPO certification is valid for five years, with renewal required one year before expiry. Compliance timelines vary: plantation companies by Mar 2025, downstream and bioenergy firms within two years, and smallholders within four years. Smallholders may apply collectively through cooperatives (Koperasi) and may access financial support from BPDP or state budgets. While ISPO is an important first step, additional verification and traceability will be required to meet EU export standards.

**MSPO (Malaysian Sustainable Palm Oil)**

Launched in 2013, MSPO became mandatory for all Malaysian producers in 2020. Under MSPO 2530:2022, plantations larger than 500 ha must comply with stricter standards than ISPO, including:

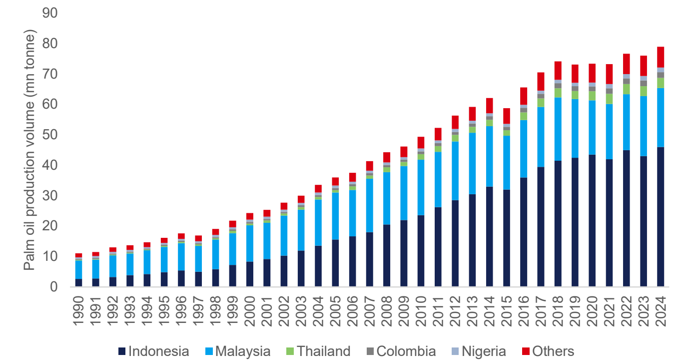
- Prohibiting planting in high-biodiversity or sensitive areas
- Mandatory EIAs for large-scale projects in Sabah and Sarawak
- Participatory SEIAs (social and environmental assessments)
- GHG reduction measures and strict supply-chain traceability

MSPO's stricter inclusion of deforestation criteria makes it more compatible with ESG-driven markets such as the EU, giving Malaysian CPO a competitive edge over Indonesian CPO.

# Appendix

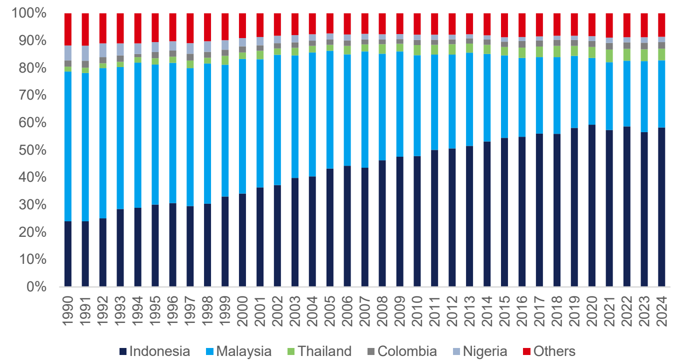
## Global vegetable oil overview

**Fig. 69: Global palm oil production – Indonesia and Malaysia accounted for 83% of world's palm oil production**



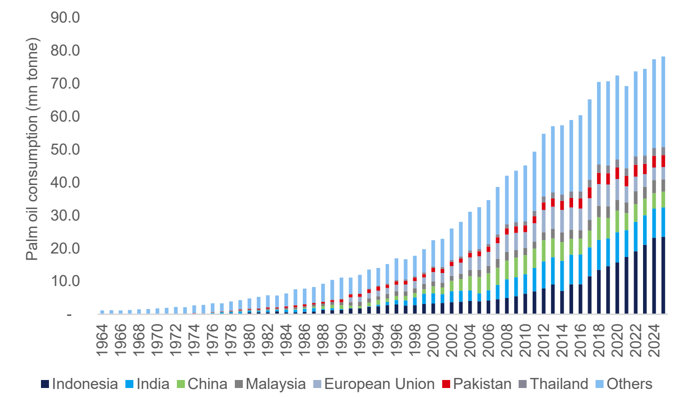

*Source: USDA, Indo Premier*

**Fig. 70: Global palm oil production contribution**



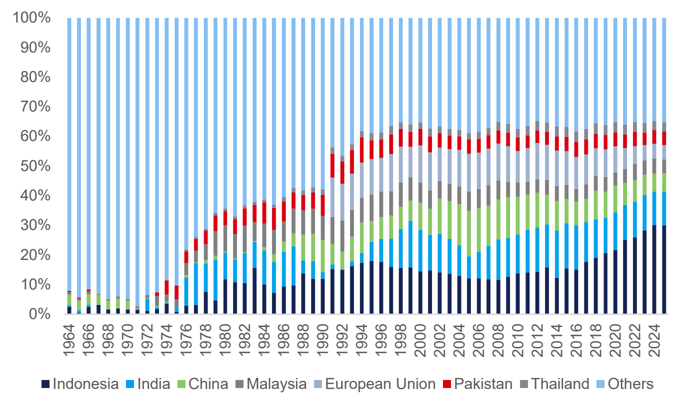

*Source: USDA, Indo Premier*

**Fig. 71: Global palm oil consumption**



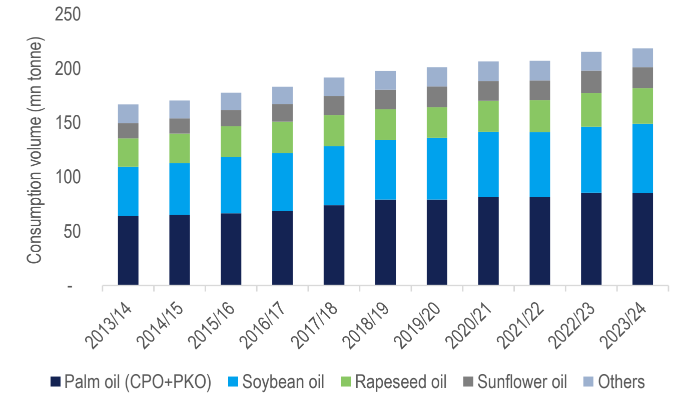

*Source: USDA, Indo Premier*

**Fig. 72: Global palm oil consumption contribution**



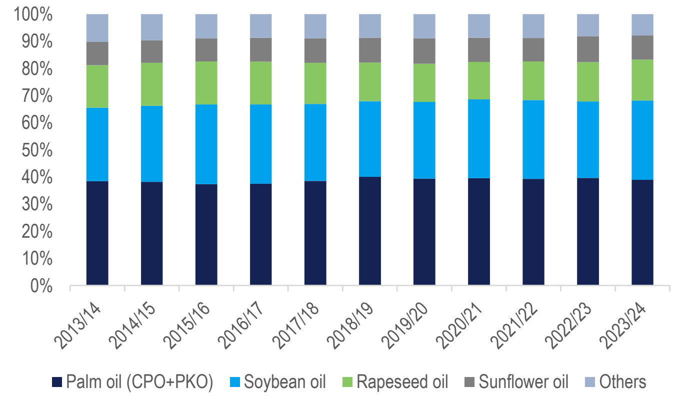

*Source: USDA, Indo Premier*

**Fig. 73: Vegetable oil consumption is rising overtime**




*Source: Statista, Indo Premier*

**Fig. 74: … still dominated by CPO**



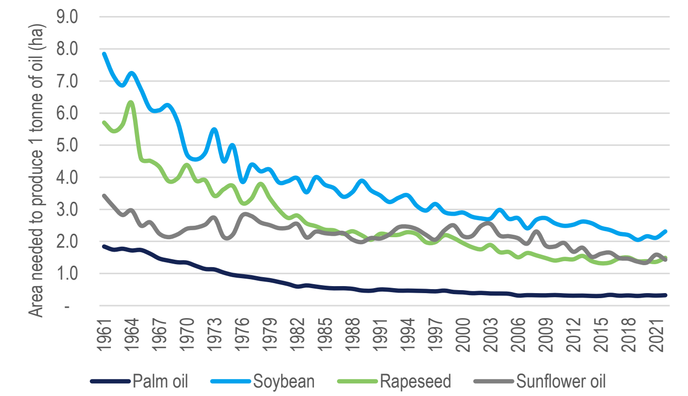

*Source: Statista, Indo Premier*

**Fig. 75: … as CPO provides several advantages compared to substitute**

| Oil Type | Main Producers | Main Uses | Strengths | Weaknesses |
|---|---|---|---|---|
| Palm Oil (CPO) | Indonesia, Malaysia | Food, biodiesel, oleochemicals | Cheap production, versatile | Environmental concerns, labor issues |
| Soybean Oil | USA, Brazil, Argentina | Food, biodiesel | Abundant supply, big in US/China | Lower yield, land-intensive |
| Sunflower Oil | Ukraine, Russia, EU | Cooking, salad oil | Light flavor, non-GMO perception | Price volatility, geopolitical risk |
| Rapeseed/Canola | Canada, EU, China | Cooking, salad oil, biodiesel | Healthy oil image (low saturated fat), EU preference | Higher cost of production, GMO concerns |
| Coconut Oil | Philippines, Indonesia, India | Cooking, cosmetics, oleochemicals | Premium niche, good for beauty industry | Expensive, low productivity |
| Corn Oil | USA, China | Cooking, margarine, biodiesel | Byproduct of corn industry, cost synergy | Smaller volume globally |

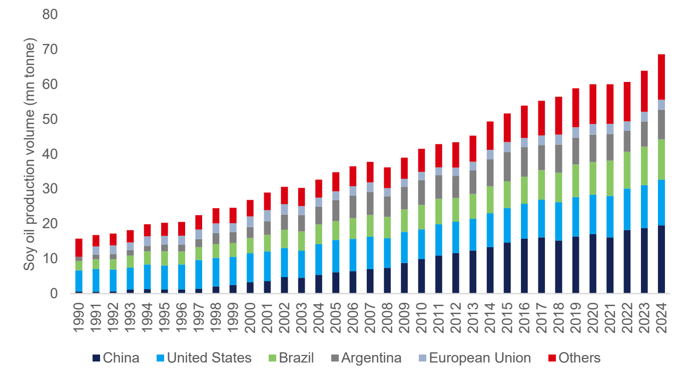
*Source: FAO UN (Food and Agriculture Organization), Indo Premier*

**Fig. 76: … and CPO has the lowest land usage to produce 1 tonne compared to other vegetable oil**



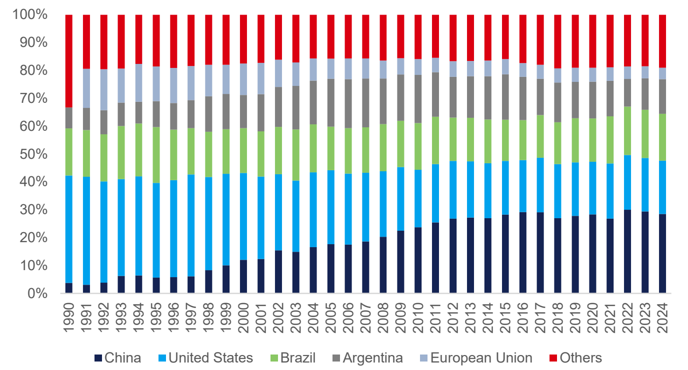

*Source: FAO UN (Food and Agriculture Organization), Indo Premier*

**Fig. 77: Soybean oil production – mostly produced in China, US, and Brazil**



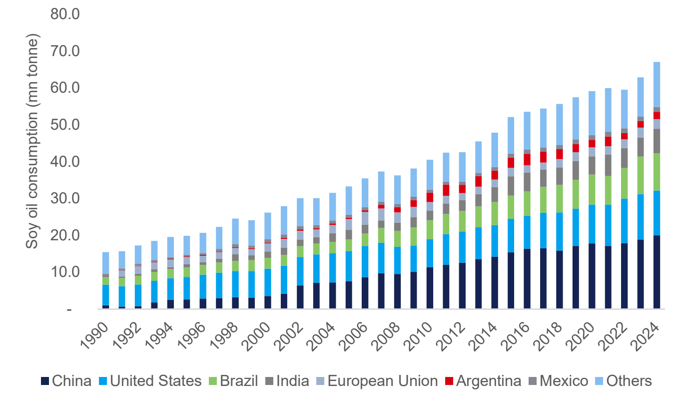

*Source: USDA, Indo Premier*

**Fig. 78: Soybean oil production contributions**



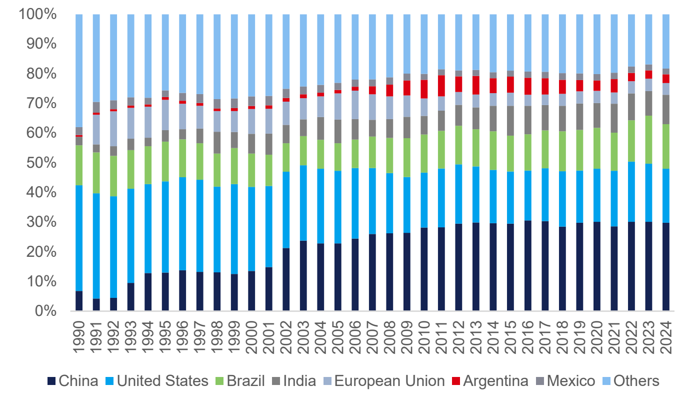

*Source: USDA, Indo Premier*

**Fig. 79: Soybean oil consumptions – mostly consumed in China for feedstock**



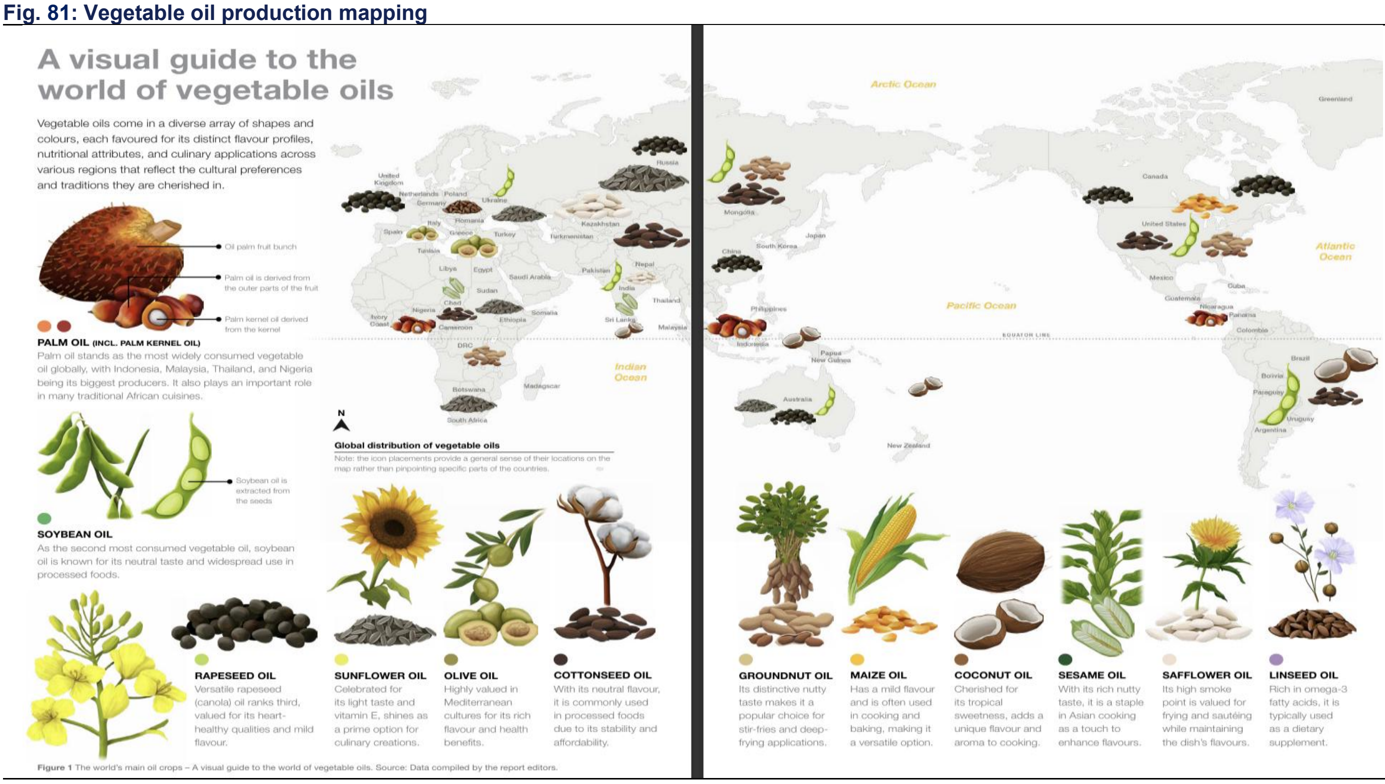

*Source: Bloomberg, Indo Premier*

**Fig. 80: China contributes the most in soybean oil consumption**



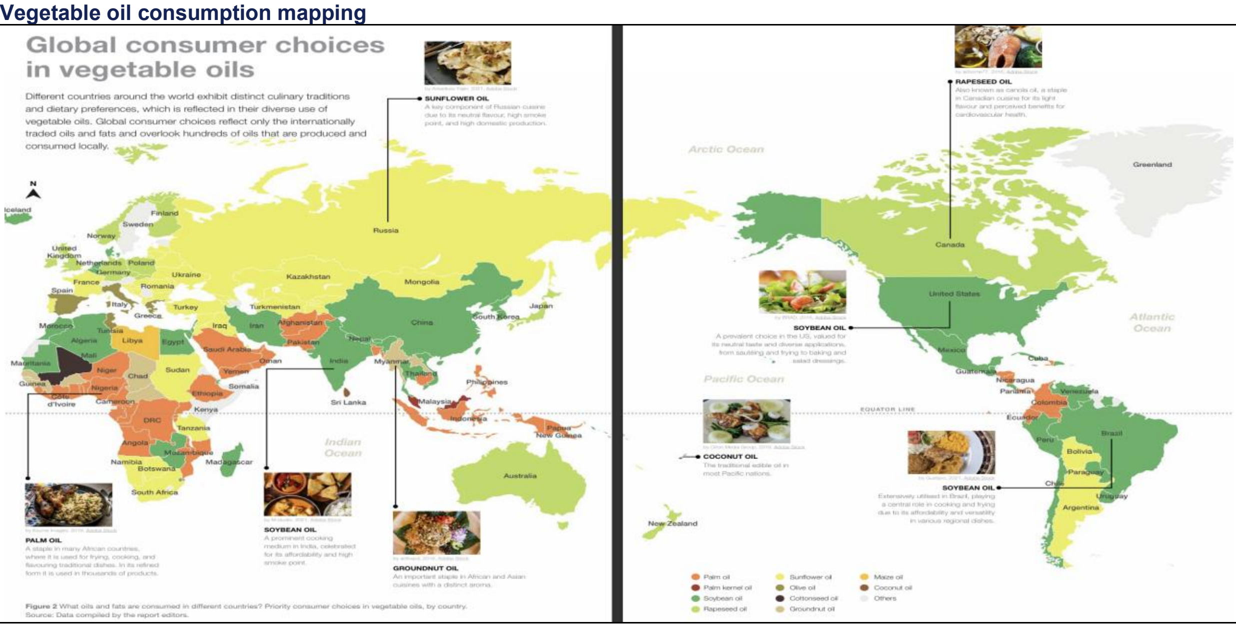

*Source: Bloomberg, Indo Premier*

**Fig. 81: Vegetable oil production mapping**




*Source: IUCN Vegetable Oil report*

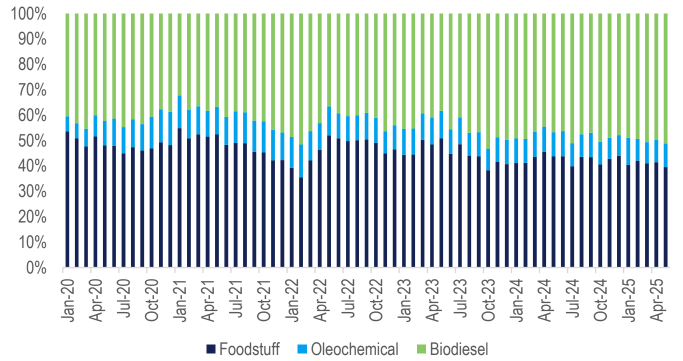
**Fig. 82: Vegetable oil consumption mapping**




*Source: IUCN Vegetable Oil report*

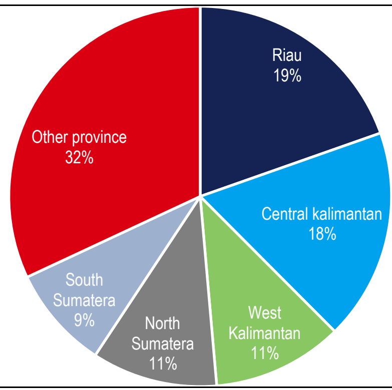
## Indonesia palm plantation overview

**Fig. 83: Rising biodiesel contribution in Indonesia's CPO consumption contribution**



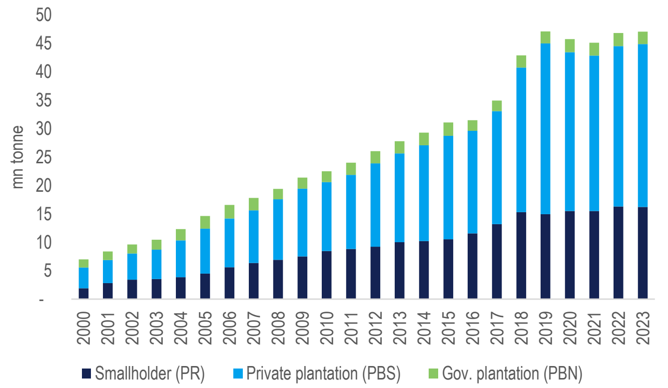

*Source: Statistics Indonesia, Indo Premier*

**Fig. 84: ID CPO production by province in 2023**



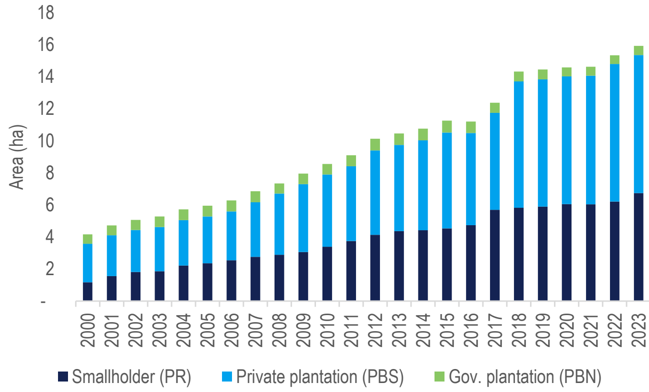

*Source: Statistics Indonesia, Indo Premier*

**Fig. 85: Indonesia's production based on operational rights, still dominated by private players**



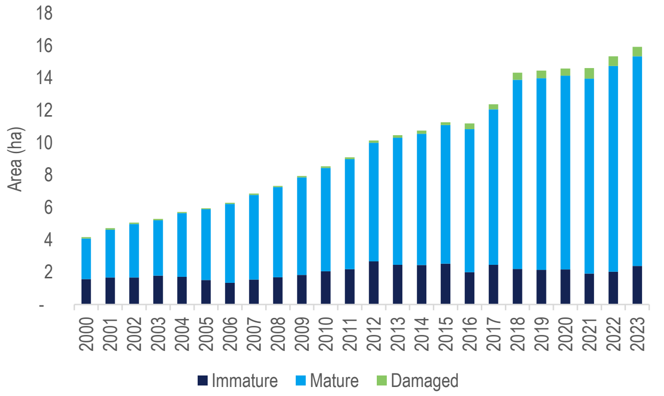

*Source: Statistics Indonesia, Indo Premier*

**Fig. 86: Indonesia's palm estate area**



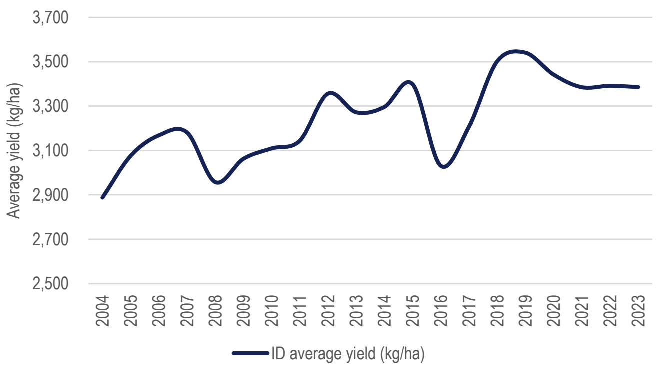

*Source: Statistics Indonesia, Indo Premier*

**Fig. 87: ID planted area – based on operational right**




*Source: Statistics Indonesia, Indo Premier*

**Fig. 88: ID planted area – based on condition**




*Source: Statistics Indonesia, Indo Premier*

INDOPREMIER

# Dharma Satya Nusantara

**BUY**

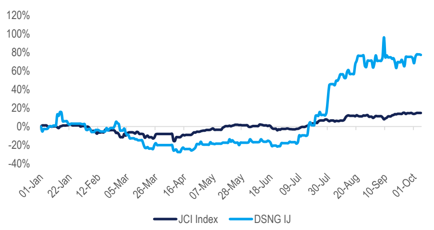
***Company Initiation | Plantation | DSNG IJ | 6 October 2025***

**Stock Data**

| | |
|---|---|
| **Target price** | **Rp2,400** |
| *Prior TP* | *N/A* |
| Current price | 1,690 |
| *Upside/downside* | *+42.0%* |
| Shares outstanding (mn) | 10,600 |
| Market cap (Rp bn) | 17,861 |
| Free float | 25% |
| Avg. 6m daily T/O (Rp bn) | 37 |

**Price Performance**

| | **3M** | **6M** | **12M** |
|---|---|---|---|
| Absolute | 113.3% | 121.7% | 98.2% |
| Relative to JCI | 95.1% | 97.1% | 90.0% |
| 52w low/high (Rp) | | | 690 – 1865 |




**Major Shareholders**

| | |
|---|---|
| Triputra Investindo Arya | 28.3% |
| Krishna Kapital Investama | 14.6% |
| Tri Nur Cakrawala | 7.4% |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## Strongest ESG and growth profile

- DSNG's superior palm yields and diversified business, coupled with strong ESG credentials, support premium pricing and LT sustainability.
- Continued deleveraging and higher production underpins expected 36% CAGR in core NP for FY25-27F.
- Reinitiate BUY with TP Rp2,400/sh; improved fundamentals and stronger ESG profile vs. peers could drive further valuation rerating.

### ESG certified and operationally efficient

DSNG is a pure upstream palm oil producer with 111k ha planted (97% mature), where CPO remains the main revenue driver. Diversification comes from wood products (10% of 1H25 revenue) and biomass (1%). The company is intent to grow its wood business through expansion into Jabon-based products, which offer better durability than Sengon, though still under discussion. Backed by ~70% RSPO-certified output and multiple green labels (ISPO, JAS, FSC, SVLK), DSNG enjoys premium pricing versus non-certified peers. Operationally, it leads with ~11 tonne/ha FFB yields in 6M25 (AALI/LSIP: 7.7/5.9), just below TAPG (12), supported by an optimal plantation age, strong efficiency, and a centralized estate base.

### Strong balance sheet along with disciplined growth

We view DSNG's investment appeal as driven by deleveraging, strong core NP growth, and rising shareholder returns. Net gearing is expected to improve to 0.01x by FY27F (from 0.4x in 2Q25), while core NP is set to post the strongest growth in our coverage at a 36% CAGR in FY24–27F, supported by operational improvement and continued deleveraging. With capex capped at Rp800bn p.a., FCFF is projected to remain positive at Rp2.3tr–3.2tr in FY25-27F, providing ample room for higher dividends. We anticipate DPR to increase to 30–40% in FY26–27F (vs. 22% in FY25), implying a dividend yield of 3.5%–5.5%.

### Reinitiate with a BUY call

DSNG's share price has risen 78% YTD-25 amid the current CPO upcycle. We see potential for further re-rating, supported by improving operational, a cleaner balance sheet, and potential improvement in DPR. ESG certifications could further bolster investor sentiment. We also see limited risks from land usage permit (HGU) overlap issues, as previously overlapping areas have been handed over to the government. Valuations also remain attractive versus Malaysian peers; DSNG is comparable to Genting Plantation (70–80% Kalimantan estates, fully RSPO-certified), which trades at 13x FY26F P/E. Our TP is Rp2,400/sh, based on a FY26F SOTP valuation, implying for 6x EV/EBITDA FY26F and 10x P/E FY26F. Key risks include operational and regulatory uncertainties.

| **Financial Summary (Rp bn)** | **2023A** | **2024A** | **2025F** | **2026F** | **2027F** |
|---|---|---|---|---|---|
| Revenue | 9,499 | 10,119 | 12,977 | 13,470 | 13,847 |
| EBITDA | 2,379 | 2,937 | 4,133 | 4,538 | 4,997 |
| Core net profit | 840 | 1,104 | 2,117 | 2,461 | 2,799 |
| Core EPS | 79 | 104 | 200 | 232 | 264 |
| Core EPS growth | -33% | 31% | 92% | 16% | 14% |
| ROE | 10% | 11% | 18% | 18% | 18% |
| PER (x) | 21.3 | 16.2 | 8.5 | 7.3 | 6.4 |
| EV/EBITDA | 9.8 | 7.9 | 5.3 | 4.4 | 3.6 |
| Dividend yield | 2% | 1% | 1% | 4% | 5% |
| IPS vs. consensus | | | 105% | 124% | 127% |

*Source: Company, Indo Premier* *Share price closing as of: 3 October 2025*

# Operational and financial highlights

We project FFB processed to grow 8% CAGR in FY24–27F, supported by stronger contributions from both internal and external suppliers. Internal output should benefit from favorable weather and peak FFB yields. With stable OER and KER, we forecast plantation sales volumes (CPO, PK, PKO) to grow 7%, translating into 11% revenue CAGR, largely driven by the palm plantation segment, while other segments remain flattish.

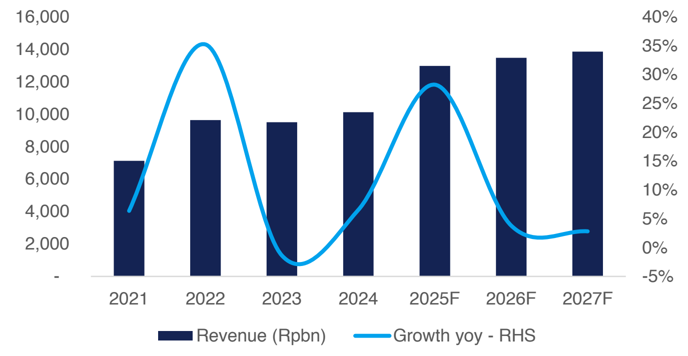
EBITDA and core NP are expected to expand 19% and 36% CAGR, respectively, supported by operational improvements and deleveraging. Our FY25–27F core NP forecasts sit above consensus at 105%-127%, reflecting higher ASP assumptions.

**Fig. 89: Key operational assumptions**

| Assumptions | 2024 | 2025F | 2026F | 2027F |
|---|---|---|---|---|
| **FFB processed - th tonne** | **2,515** | **2,789** | **3,001** | **3,135** |
| Production from Nucleus | 1,662 | 1,802 | 1,943 | 2,023 |
| Production from Plasma | 448 | 495 | 543 | 571 |
| 3rd parties - purchases | 406 | 491 | 516 | 541 |
| **FFB processed growth yoy - %** | **-12%** | **11%** | **8%** | **4%** |
| Production from Nucleus | -8% | 8% | 8% | 4% |
| Production from Plasma | -6% | 11% | 10% | 5% |
| 3rd parties - purchases | -30% | 21% | 5% | 5% |
| **FFB yield (Nucleus and Plasma) - tonne/ha** | **19.6** | **21.4** | **23.1** | **24.1** |
| **Planted area (Nucleus and Plasma) - th ha** | **111** | **111** | **111** | **111** |
| Mature | 108 | 108 | 108 | 108 |
| Immature | 3 | 3 | 3 | 3 |
| **Sales volume** | | | | |
| **Plantations (th tonne)** | **663** | **719** | **774** | **808** |
| CPO | 601 | 651 | 700 | 731 |
| PK | 24 | 29 | 31 | 32 |
| PKO | 39 | 39 | 42 | 44 |
| **Wood** | | | | |
| Panel m3 | 116 | 122 | 122 | 122 |
| Engineered floors m2 | 702 | 632 | 632 | 632 |
| **Renewable (th tonne)** | | | | |
| Palm kernel shell | 95 | 49 | 51 | 54 |
| Wood pallet | - | 21 | 22 | 23 |
| **ASP** | | | | |
| **Plantations (Rp/kg)** | | | | |
| CPO | 12,786 | 15,248 | 15,226 | 15,226 |
| PK | 6,809 | 12,302 | 11,085 | 8,554 |
| PKO | 17,813 | 29,335 | 21,407 | 19,616 |
| **Wood (Rpmn)** | | | | |
| Panel m3 | 5.9 | 5.8 | 5.8 | 5.8 |
| Engineered floors m2 | 0.5 | 0.6 | 0.6 | 0.6 |
| **ASP (Rp/kg)** | | | | |
| Palm kernel shell | 1,935 | 1,735 | 1,770 | 1,805 |
| Wood pallet | - | 2,206 | 2,250 | 2,295 |

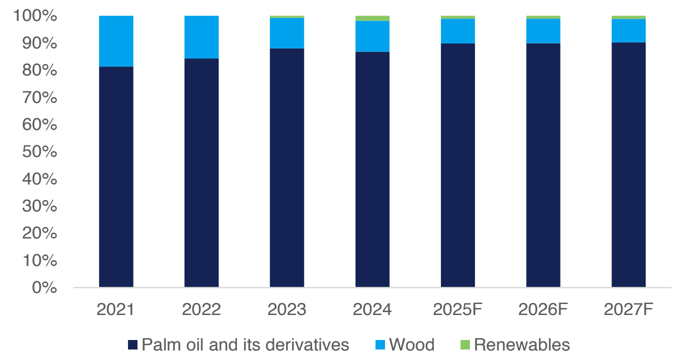
*Source: Company report, Indo Premier*

**Fig. 90: We estimate revenue to grow by 11% CAGR in FY24-27F**



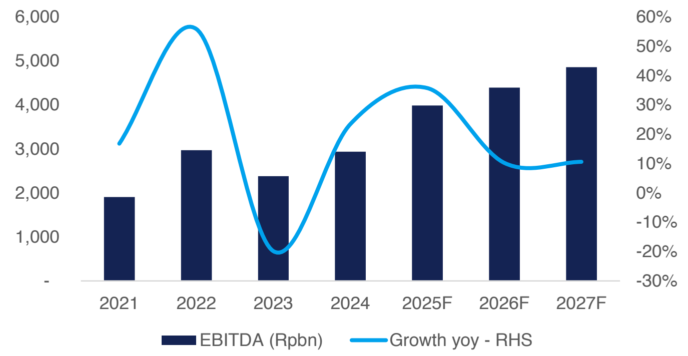

*Source: Company report, Indo Premier*

**Fig. 91: Palm segment is expected to contribute the most in FY25-27F**



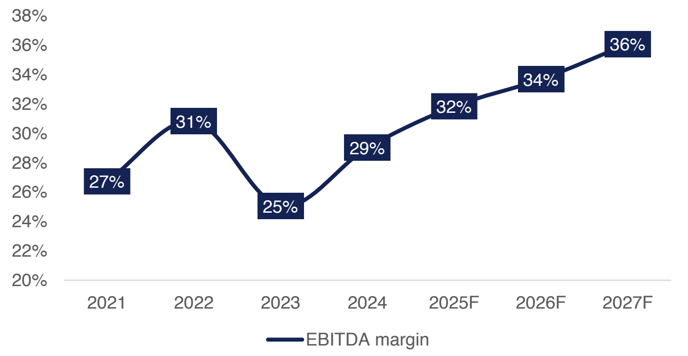

*Source: Company report, Indo Premier*

**Fig. 92: EBITDA is expected to grow by 19% CAGR in FY24-27F**



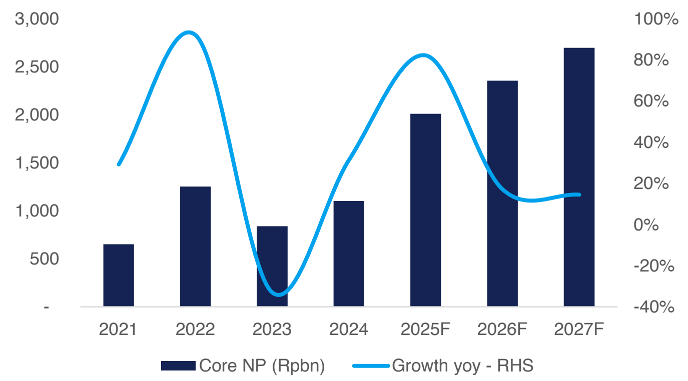

*Source: Company report, Indo Premier*

**Fig. 93: EBITDA margin**



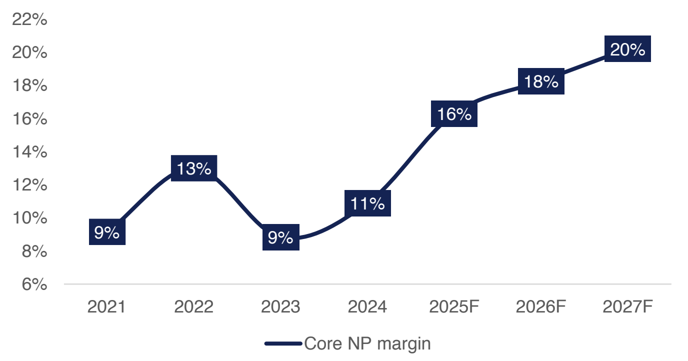

*Source: Company report, Indo Premier*

**Fig. 94: We expect core NP to grow by 36% CAGR in FY24-27F, the highest under our coverage**



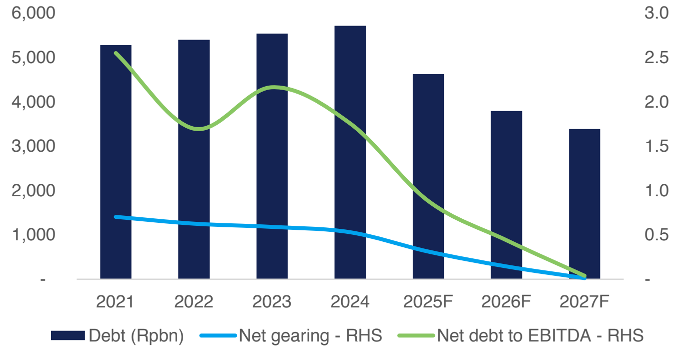

*Source: Company report, Indo Premier*

**Fig. 95: Core NP margin**



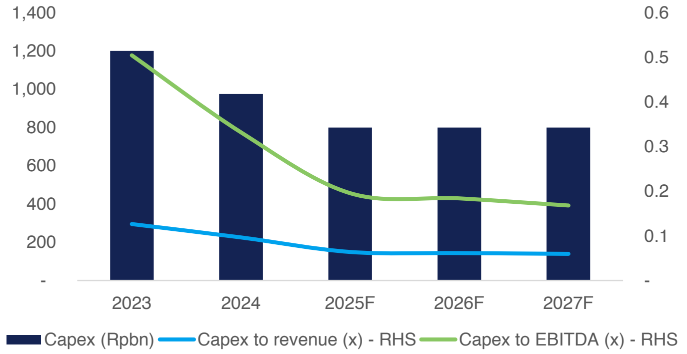

*Source: Company report, Indo Premier*

**Fig. 96: We also expect the company to continue progressing on its deleveraging program**



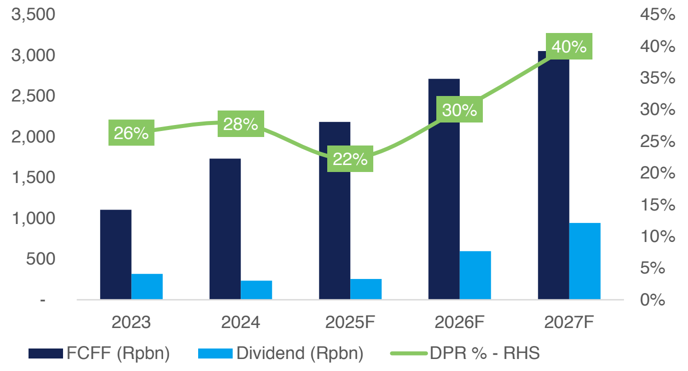

*Source: Company, Indo Premier*

**Fig. 97: …with stable capex at Rp800bn in FY25-27F**



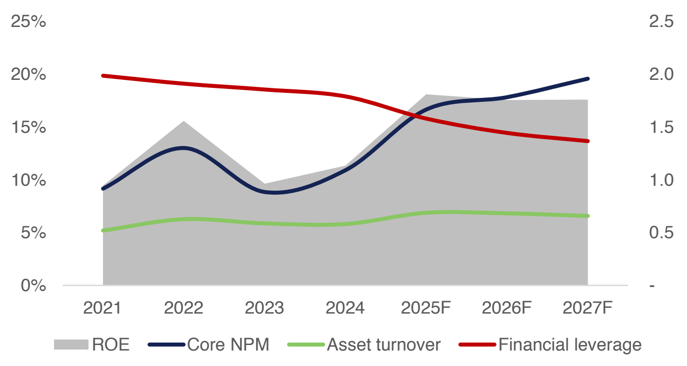

*Source: Company, Indo Premier*

**Fig. 98: We expect FCFF to grow at a 22% CAGR in FY24–27F, providing ample capacity to support a higher DPR**




*Source: Company, Indo Premier*

**Fig. 99: ROE is likely to trend down due to lower leverage, despite stronger core NP margin and asset turnover**




*Source: Company, Indo Premier*

# Valuation

As of 3Oct25, DSNG trades at 7.8x P/E FY26F, just 0.8x s.d. above the sector mean since 2021. Despite this, the stock offers the strongest earnings growth outlook within our coverage for FY25–27F, which we believe remains underappreciated. On a PEG FY26F basis, DSNG is valued at only 0.5x, reinforcing our view that it is still undervalued. Thus, we initiate coverage on DSNG with BUY call with TP of Rp2,300/sh, based on FY26F SOTP valuation, separating consolidated and associate.

- For consolidated operations, we use an EV/EBITDA multiple of 6x (+2 s.d. above the sector mean since 2021), reflecting ESG leadership, stronger financials, and improving operations.
- For associate, we apply a P/E 7x (at sector mean since 2021), discounted by 15% to account for limited transparency and smaller size.

This implies EV/EBITDA FY26F 6x (2 s.d. to DSNG's mean since 2021) and a P/E FY26F of 10.2x (+3 s.d. to DSNG's mean since 2021). Our TP is below DCF valuation which implies for Rp2,502/sh. While our target valuation may appear optimistic, we believe DSNG merits a re-rating, supported by stronger earnings growth due to improving balance sheet and operational, and ESG credentials as an additional driver. Our valuation for DSNG also remains below Malaysia's Genting Plantations (GENP MY, NR), now traded at 13x FY26F P/E, which we see as a close representative given its 70–80% Kalimantan exposure under Indonesian regulation and full RSPO certification, compared to DSNG's 100% Indonesian asset base with 70% RSPO-certified output.

**Fig. 100: SOTP valuation**

| In Rpbn, unless stated otherwise | FY26F | Remarks |
|---|---|---|
| **Consolidated** | | |
| EV/EBITDA Multiple (x) | 6 | At +2 s.d. above sector mean since 2021; Premium underpinned by ESG leadership, stronger financials, and improving operations. |
| EBITDA | 4,538 | |
| EV | 26,547 | |
| Market cap | 24,580 | |
| Debt | 3,793 | |
| Cash | 2,000 | |
| Minority | 174 | |
| **JV/Asso - REA Kaltim Plantations** | | |
| P/E multiple | 7 | At sector mean since 2021 |
| Earnings - 100% stake | 325 | |
| Disc. for limited transparacy | 15% | |
| Market value | 1,824 | |
| DSNG's ownership | 35% | |
| DSNG's market value from REA Kaltim Plantations | 639 | |
| **SOP valuation** | | |
| Total equity value | 25,219 | |
| # share (bn) | 11 | |
| **Implied price per share** | **2,379** | |
| **Rounded TP (Rp/sh)** | **2,400** | |
| Current price | 1,690 | |
| **Upside** | **41%** | |
| **Div.yield** | **4%** | |
| **Total return** | **44%** | |
| **IPC - Recommendation** | **BUY** | |
| Implied P/E | 10.2 | |
| Implied PEG FY26F | 0.6 | |
| Implied PEG 3Y CAGR FY24-27F | 0.3 | |
| Implied EV/EBITDA | 6.0 | |
| Total planted area (th ha) | 111 | |
| **Implied Market cap/ha (US$/ha)** | **13,936** | |
| **Implied EV/ha (US$/ha)** | **15,023** | |

*Source: Company, Indo Premier*

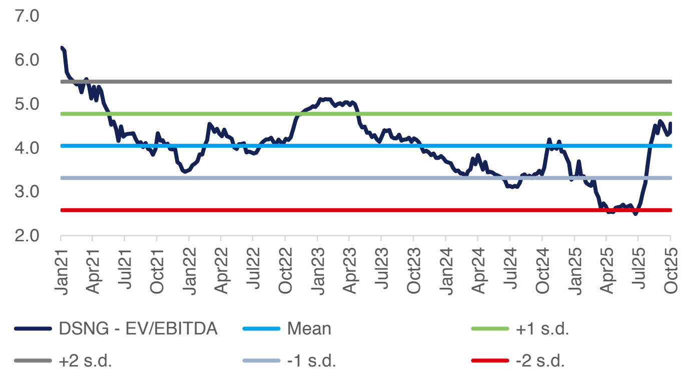
**Fig. 101: Sanity check using DCF valuation**

| Key assumptions | |
|---|---|
| Risk free rate | 7% |
| Market risk premium | 8% |
| Equity beta | 0.86 |
| Cost of equity | 13% |
| Cost of debt | 7% |
| Equity weight | 80% |
| Debt weight | 20% |
| Tax rate | -27% |
| WACC | 11.4% |
| Terminal Growth for Recurring Income | 0% |

| FCFF calculation - Rpbn unless stated otherwise | 2025F | 2026F | 2027F | 2028F | 2029F | 2030F |
|---|---|---|---|---|---|---|
| EBITDA | 4,133 | 4,538 | 4,997 | 5,006 | 5,014 | 5,020 |
| Earnings from JV/asso | 40 | 40 | 40 | 40 | 40 | 40 |
| Tax expense | - 762 | - 890 | - 1,018 | - 1,018 | - 1,018 | - 1,018 |
| Capex | - 800 | - 800 | - 800 | - 800 | - 800 | - 800 |
| Changes in working capital | - 332 | - 72 | - 66 | - 10 | - 10 | - 11 |
| **FCFF** | **2,278** | **2,816** | **3,154** | **3,219** | **3,226** | **3,232** |
| **DCF** | **0** | **1** | **2** | **3** | **4** | **5** |
| **FCFF - PV** | **2,278** | **2,529** | **2,544** | **2,331** | **2,098** | **1,888** |
| **Sum of FCFF PV** | **13,668** | | | | | |
| Terminal value growth | 0% | | | | | |
| **Terminal value PV** | **16,630** | | | | | |
| Debt | - 4,624 | | | | | |
| Cash | 1,015 | | | | | |
| Minority | - 174 | | | | | |
| **Net equity value** | **26,516** | **26,516** | **26,516** | **26,516** | **26,516** | **26,516** |
| # of shares (bn) | 11 | | | | | |
| **Target price/share (Rp)** | **2,502** | | | | | |
| Current px | 1,690 | | | | | |
| **Upside** | **48%** | | | | | |
| **Recommendation** | **BUY** | | | | | |
| **Core NP** | **2,117** | **2,461** | **2,799** | **2,799** | **2,799** | **2,799** |
| **Implied P/E** | **12.5** | **10.8** | **9.5** | **9.5** | **9.5** | **9.5** |
| **EBITDA** | **4,133** | **4,538** | **4,997** | **5,006** | **5,014** | **5,020** |
| **Implied EV/EBITDA** | **7.3** | **6.7** | **6.1** | **6.1** | **6.0** | **6.0** |

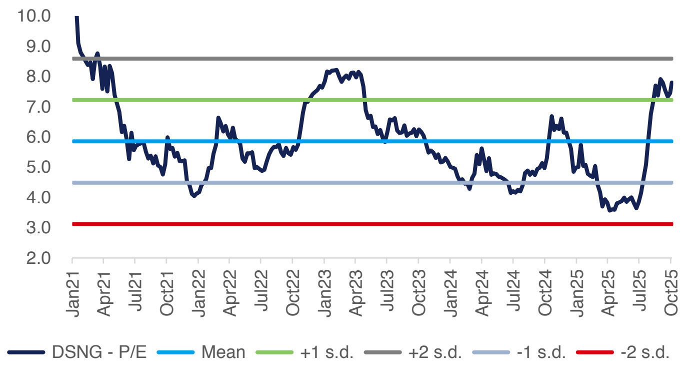
*Source: Indo Premier*

**Fig. 102: EV/EBITDA 12M forward**



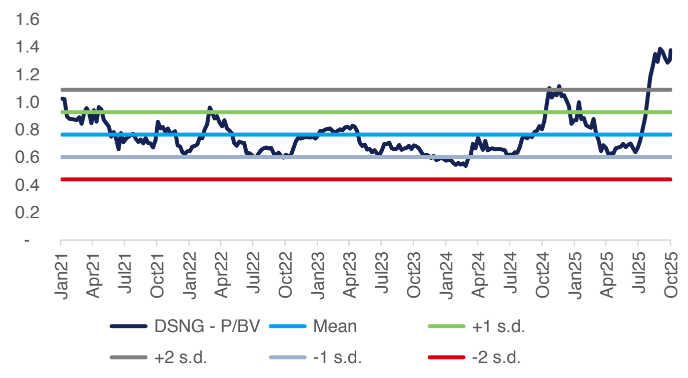

*Source: Company, Bloomberg, Indo Premier*

**Fig. 103: P/E 12M forward**




*Source: Company, Bloomberg, Indo Premier*

**Fig. 104: P/BV 12M forward**



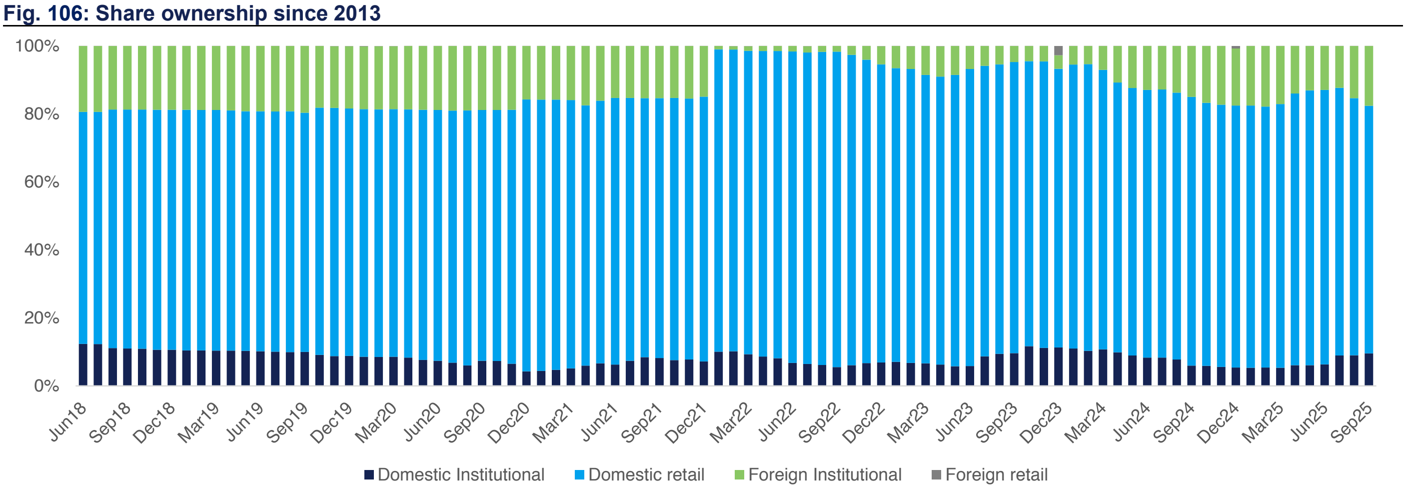

*Source: Company, Bloomberg, Indo Premier*

**Fig. 105: PEG next year**


*Source: Company, Bloomberg, Indo Premier*

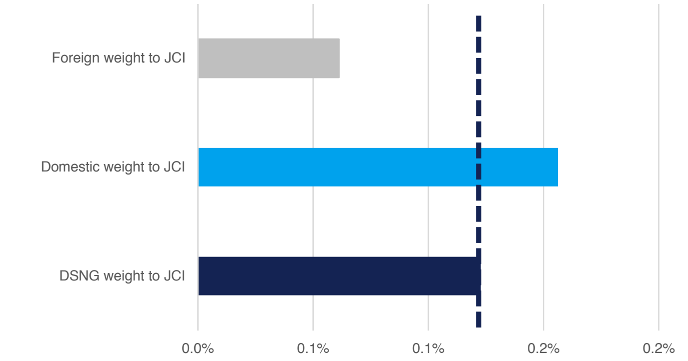
## Share ownership

**Fig. 106: Share ownership since 2013**



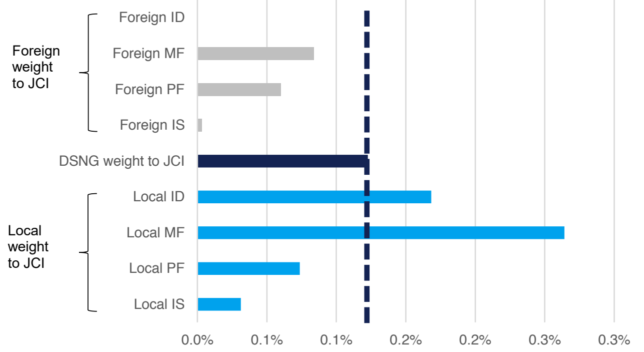

*Source: KSEI, Indo Premier*

**Fig. 107: Share ownership in Oct25**




*Source: KSEI, Indo Premier*

**Fig. 108: Share ownership in Oct25**




*Source: KSEI, Indo Premier*

| Income Statement (Rp bn) | FY23 | FY24 | FY25F | FY26F | FY27F |
|---|---|---|---|---|---|
| Net revenue | 9,499 | 10,119 | 12,977 | 13,470 | 13,847 |
| Cost of sales | (6,971) | (7,115) | (8,765) | (8,847) | (8,764) |
| **Gross profit** | **2,527** | **3,004** | **4,212** | **4,623** | **5,083** |
| Operating expenses | (972) | (981) | (1,034) | (1,081) | (1,123) |
| **Operating profit** | **1,556** | **2,023** | **3,178** | **3,542** | **3,961** |
| **EBITDA** | **2,379** | **2,937** | **4,133** | **4,538** | **4,997** |
| Net interest | (415) | (529) | (406) | (305) | (257) |
| Others | (0) | 146 | 84 | 114 | 114 |
| **Pre-tax income** | **1,141** | **1,640** | **2,856** | **3,350** | **3,817** |
| Income tax | (299) | (499) | (762) | (890) | (1,018) |
| Minority interest | (2) | 1 | - | - | - |
| **Net income** | **840** | **1,142** | **2,094** | **2,461** | **2,799** |
| **Core net profit** | **840** | **1,104** | **2,117** | **2,461** | **2,799** |

| Balance Sheet (Rp bn) | FY23 | FY24 | FY25F | FY26F | FY27F |
|---|---|---|---|---|---|
| Cash & equivalents | 390 | 557 | 1,015 | 2,000 | 3,440 |
| Inventories | 1,111 | 1,225 | 1,571 | 1,631 | 1,677 |
| Other current assets | 1,448 | 1,115 | 1,221 | 1,240 | 1,254 |
| **Total current assets** | **2,949** | **2,897** | **3,808** | **4,871** | **6,370** |
| Fixed assets | 7,467 | 7,838 | 7,742 | 7,617 | 7,462 |
| Other non-current assets | 5,762 | 6,678 | 6,734 | 6,804 | 6,862 |
| **Total non-current assets** | **13,229** | **14,515** | **14,476** | **14,420** | **14,324** |
| **Total assets** | **16,178** | **17,412** | **18,283** | **19,291** | **20,694** |
| | | | | | |
| Short term bank loans | 948 | 477 | - | - | - |
| Current maturities of LT bank loans | 771 | 598 | 425 | - | - |
| Bonds payable | 3 | 182 | - | - | - |
| Other current liab. | 1,224 | 1,274 | 1,394 | 1,399 | 1,393 |
| **Total current liab.** | **2,946** | **2,530** | **1,819** | **1,399** | **1,393** |
| Bonds payable | 176 | - | - | - | - |
| Loans from third parties | 462 | 485 | 487 | 487 | 487 |
| LT bank loans | 3,178 | 3,972 | 3,712 | 3,306 | 2,901 |
| Other LT liab. | 527 | 528 | 528 | 528 | 528 |
| **Total liabilities** | **7,289** | **7,515** | **6,546** | **5,721** | **5,309** |
| | | | | | |
| Equity | 3,154 | 3,226 | 3,226 | 3,226 | 3,226 |
| Retained earnings | 5,562 | 6,497 | 8,337 | 10,170 | 11,985 |
| Minority interest | 174 | 174 | 174 | 174 | 174 |
| **Total SHE + minority int.** | **8,889** | **9,897** | **11,737** | **13,570** | **15,385** |
| **Total liabilities & equity** | **16,178** | **17,412** | **18,283** | **19,291** | **20,694** |

*Source: Company report, Indo Premier*

| Cash Flow Statement (Rp bn) | FY23 | FY24 | FY25F | FY26F | FY27F |
|---|---|---|---|---|---|
| Net income | 840 | 1,142 | 2,094 | 2,461 | 2,799 |
| Depr. & amortization | 797 | 876 | 953 | 969 | 1,010 |
| Changes in working capital | 223 | 269 | (332) | (72) | (66) |
| Others | - | - | - | - | - |
| **Cash flow from operating** | **1,860** | **2,288** | **2,715** | **3,358** | **3,744** |
| Capital expenditure | (1,501) | (1,074) | (800) | (800) | (800) |
| Others | (398) | (1,088) | (114) | (114) | (114) |
| **Cash flow from investing** | **(1,899)** | **(2,162)** | **(914)** | **(914)** | **(914)** |
| Loans | 179 | 177 | (1,089) | (831) | (406) |
| Equity | 160 | 98 | (0) | - | - |
| Dividends | (318) | (233) | (254) | (628) | (984) |
| Others | 48 | 0 | - | - | - |
| **Cash flow from financing** | **69** | **42** | **(1,343)** | **(1,459)** | **(1,390)** |
| **Changes in cash** | **30** | **167** | **458** | **985** | **1,440** |

| Key Ratios | FY23 | FY24 | FY25F | FY26F | FY27F |
|---|---|---|---|---|---|
| Gross margin | 27% | 30% | 32% | 34% | 37% |
| EBITDA margin | 25% | 29% | 32% | 34% | 36% |
| Pre-tax margin | 12% | 16% | 22% | 25% | 28% |
| Core net margin | 9% | 11% | 16% | 18% | 20% |
| ROA | 5% | 6% | 12% | 13% | 14% |
| ROE | 10% | 11% | 18% | 18% | 18% |
| ROIC | 6% | 7% | 14% | 16% | 18% |
| | | | | | |
| Net gearing (x) | 0.6 | 0.5 | 0.3 | 0.1 | (0.0) |
| Net debt to EBITDA (x) | 2.2 | 1.8 | 0.9 | 0.4 | (0.0) |
| Interest coverage (x) | 5 | 5 | 10 | 14 | 18 |

*Source: Company, Indo Premier*

# Triputra Agro Persada

**BUY**

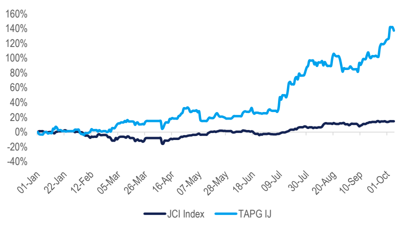
***Company Initiation | Plantations | TAPG IJ | 6 October 2025***

**Stock Data**

| | |
|---|---|
| **Target price** | **Rp2,100** |
| *Prior TP* | *N/A* |
| Current price | 1,850 |
| *Upside/downside* | *14%* |
| Shares outstanding (mn) | 19,853 |
| Market cap (Rp bn) | 36,032 |
| Free float | 17% |
| Avg. 6m daily T/O (Rp bn) | 28 |

**Price Performance**

| | 3M | 6M | 12M |
|---|---|---|---|
| Absolute | 84.3% | 106.3% | 114.8% |
| Relative to JCI | 66.1% | 81.6% | 106.6% |
| 52w low/high (Rp) | | | 715 - 1850 |




**Major Shareholders**

| | |
|---|---|
| Persada Capital Investama | 33.1% |
| Triputra Investindo Arya | 24.1% |
| Daya Adicipta Mustika | 19.9% |
| T. Permadi Rachmat. IR | 5.1% |

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## High dividend payout, steady growth

- TAPG has the highest FFB yield and the second lowest cash cost under our coverage, securing structural profitability edge.
- Core NP are expected to grow by 14% CAGR in FY24-27F, balance sheet and FCFF also remain one of the strongest.
- Reinitiate with BUY with TP of Rp2,100/sh; 9-10% dividend yield - the highest in coverage; with valuation upside from operational excellence.

**Highest FFB yields, second-lowest cash costs**

Part of the Triputra Group conglomerate, TAPG engages in upstream palm oil production with 161k ha of estates, largely in Kalimantan, and a small rubber segment contributing <1% of revenue. It consistently delivers the highest FFB yield among peers at 23 t/ha per year (vs. peers ~14–20 t/ha), supported by optimal plantation age and strong management practices. TAPG was the second-lowest cash cost in our coverage universe, with EBITDA margin of 36% in 2024 (vs. sector leader at ~46%). The company is also enhancing its green credentials, with 25% of mills certified under RSPO MB and 1–2 additional mills expected to follow.

**Growth with prudent capex, limited exposure to land issues**

TAPG's FFB processed is set to grow at 5% CAGR in FY24–27F, mostly driven by internal FFB yield recovery, align with company's guidance of 10% p.a. in FY25-26F (for nucleus). We also see limited potential impact from land usage permit (HGU) matters with ~400ha, or 0.4% of planted area (300ha at nucleus level and 100ha at USTP, its 50% JV) which we have factored into our model. This underpins solid core NP growth of 14% CAGR. The balance sheet remains strong with net cash position of 0.1-0.3x in FY25-27F while capex is manageable at Rp892bn-950bn in FY25-27F with the focus on new milling capacity coming online in 4Q26F, lifting total capacity to 1,045 tonne/hour and replanting program. Management stays cautious on downstream expansion.

**Reinitiate with BUY call, amid strong FCF position and dividend appeal**

We reinitiate with a BUY, underpinned by strong growth, solid balance sheet, and ample FCF (7% CAGR) to sustain DPR of 80% p.a. in FY26–27F, implying a dividend yield of 9%-10%, the highest in our coverage. Valuation is still attractive, with upside from operational excellence and superior dividends. Our TP is Rp2,100/sh, based on SOTP valuation FY26F. Our valuation implies for 9.5x P/E FY26F and 6.5x EV/EBITDA or at >2 s.d. above TAPG mean since 2021. Key risks: operational volatility and regulatory shifts.

| Financial Summary (Rpbn) | 2023A | 2024A | 2025F | 2026F | 2027F |
|---|---|---|---|---|---|
| Revenue | 8,326 | 9,671 | 12,431 | 12,690 | 12,541 |
| EBITDA | 1,985 | 3,504 | 4,596 | 4,885 | 4,991 |
| Core net profit | 1,619 | 2,968 | 4,076 | 4,336 | 4,404 |
| Core EPS | 82 | 150 | 205 | 218 | 222 |
| Core EPS growth | -46% | 83% | 37% | 6% | 2% |
| ROE | 15% | 27% | 33% | 32% | 30% |
| PER (x) | 22.7 | 12.4 | 9.0 | 8.5 | 8.3 |
| EV/EBITDA | 15.4 | 8.7 | 6.4 | 5.8 | 5.5 |
| Dividend yield | 2% | 9% | 6% | 9% | 9% |
| IPS vs. consensus | | | 124% | 122% | 121% |

*Source: Company, Indo Premier* *Share price closing as of: 3 October 2025*

# Operational and financial highlights

We project FFB processed to grow at a 5% CAGR in FY24–27F, supported by all FFB sources, including internal FFB production and external purchases. Internal output is driven by improved weather conditions, lifting FFB yields to 24–25 t/ha in FY25–27F, the highest in the sector.

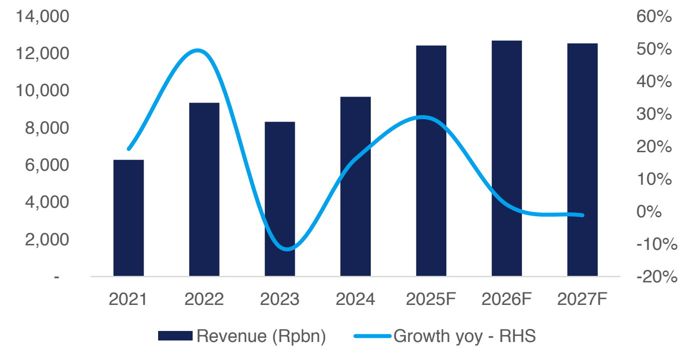
With stable OER and KER, revenue is expected to rise at a 9% CAGR over FY24–27F, aided by higher ASP. EBITDA and core NP are projected to grow at 13% and 14% CAGR, respectively. Our core NP for FY25–27F is 121%-124% above consensus estimates, primarily reflecting higher revenue assumption.

**Fig. 109: Key operational assumptions**

| Assumptions | 2024 | 2025F | 2026F | 2027F |
|---|---|---|---|---|
| **FFB processed - th tonne** | **3,962** | **4,297** | **4,511** | **4,545** |
| Production from Nucleus | 2,957 | 3,222 | 3,381 | 3,381 |
| Production from Plasma | 326 | 396 | 417 | 416 |
| 3rd parties - purchases | 679 | 679 | 713 | 749 |
| **FFB processed growth yoy - %** | **-6%** | **8%** | **5%** | **1%** |
| Production from Nucleus | -3% | 9% | 5% | 0% |
| Production from Plasma | 0% | 21% | 5% | 0% |
| 3rd parties - purchases | -17% | 0% | 5% | 5% |
| **FFB yield (Nucleus and Plasma) - tonne/ha** | **21.8** | **23.8** | **25.0** | **25.0** |
| **Planted area (Nucleus and Plasma) - th ha** | **161** | **161** | **161** | **161** |
| Mature | 150 | 152 | 152 | 152 |
| Immature | 11 | 9 | 9 | 9 |
| **Sales volume - th tonne** | **791** | **869** | **907** | **904** |
| FFB | 0 | 9 | 9 | 9 |
| CPO | 636 | 682 | 716 | 722 |
| PK | 111 | 127 | 133 | 134 |
| PKO | 20 | 24 | 24 | 24 |
| PKM | 24 | 27 | 24 | 16 |
| **ASP - Rp/kg** | **12,192** | **14,262** | **13,960** | **13,830** |
| FFB | 2,794 | 3,373 | 3,368 | 3,368 |
| CPO | 13,156 | 14,832 | 14,811 | 14,811 |
| PK | 7,892 | 12,486 | 10,658 | 9,469 |
| PKO | 19,101 | 26,890 | 24,133 | 20,905 |
| PKM | 1,128 | 984 | 1,124 | 1,373 |

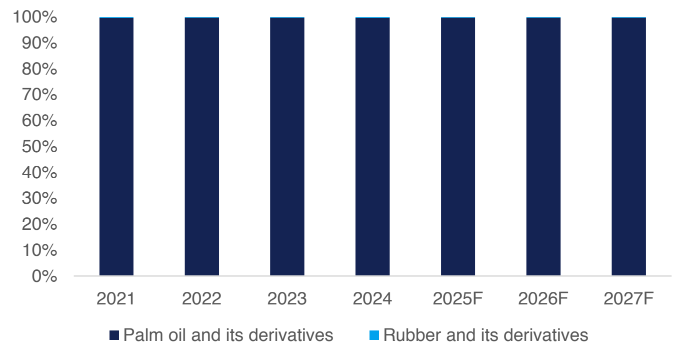
*Source: Company, Indo Premier*

**Fig. 110: We expect revenue to grow by 9% CAGR in FY24-27F**



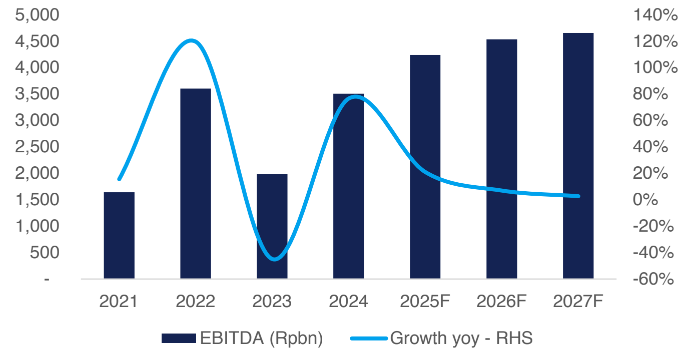

*Source: Company, Indo Premier*

**Fig. 111: Revenue from CPO and derivatives is expected to remain the major contributor**



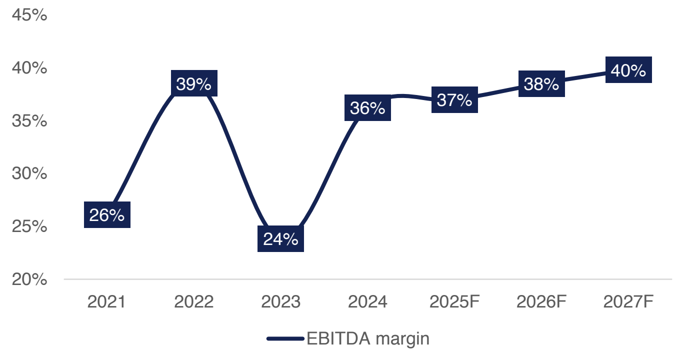

*Source: Company, Indo Premier*

**Fig. 112: We expect EBITDA to grow by 13% CAGR in FY24-27F**



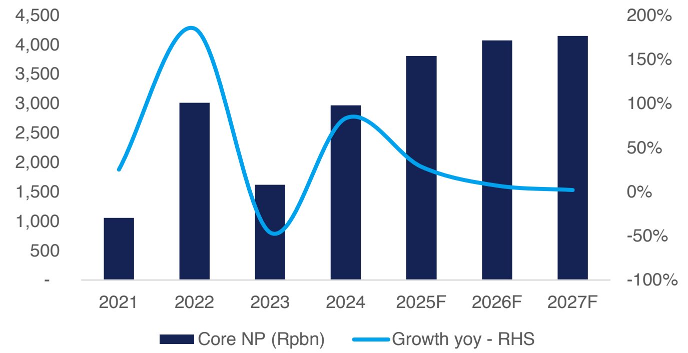

*Source: Company, Indo Premier*

**Fig. 113: EBITDA margin**



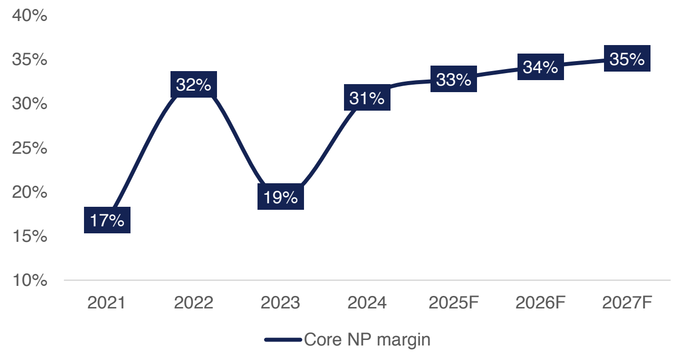

*Source: Company, Indo Premier*

**Fig. 114: We expect core NP to grow by 14% CAGR in FY244-27F**



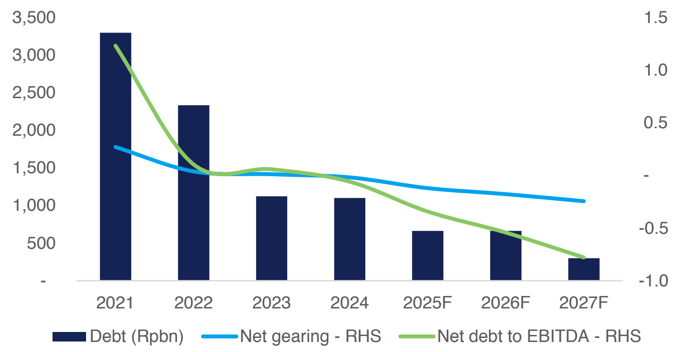

*Source: Company, Indo Premier*

**Fig. 115: Core NP margin**



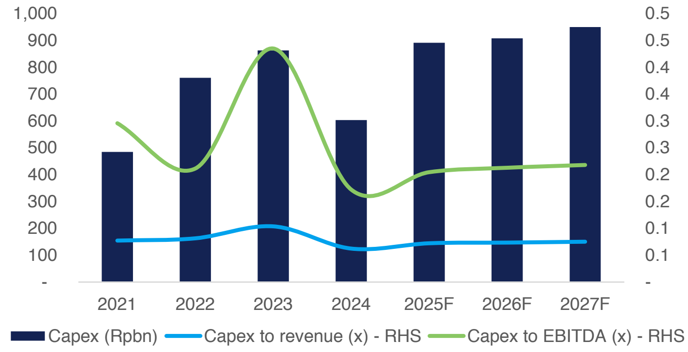

*Source: Company, Indo Premier*

**Fig. 116: TAPG is expected to be at net cash position in FY25-27F**



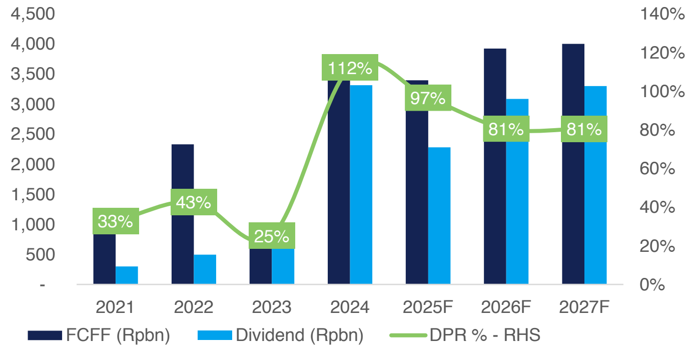

*Source: Company, Indo Premier*

**Fig. 117: Capex is projected to grow at a 16% CAGR in FY24–27F, driven by mill capacity expansion and an accelerated replanting program**



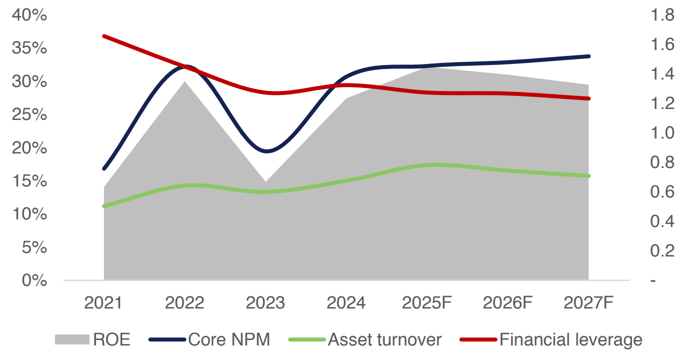

*Source: Company, Indo Premier*

**Fig. 118: While FCFF stays strong, enabling continued dividend payouts despite higher capex**




*Source: Company, Indo Premier*

**Fig. 119: ROE is expected to decline amid the lower financial leverage, despite better core NP margin**




*Source: Company, Indo Premier*

## Valuation

We reinitiate coverage on TAPG with BUY call, with TP of Rp2,100/sh based on FY26F SOTP valuation, separating consolidated operations and its JV, Union Sampoerna Triputra Persada (USTP).

- For consolidated operations, we use a 6x EV/EBITDA FY26F, or at +2 s.d. above sector mean since 2021, premium for its solid operation and higher dividend payout compared to peers and historical.
- For USTP, we apply a 7x P/E FY26F, or at sector mean since 2021.

This implies FY26F EV/EBITDA adjusted of 6.5x (>2 s.d. above TAPG mean since 2021) and a P/E of 9.5x (>2 s.d. above TAPG mean since 2021). We expect a re-rating as higher dividend payout compared to historical 2021-23 should boost its ROE outlook. The multiple-based valuation TP is almost similar to our DCF valuation of Rp2,153/sh.

**Fig. 120: SOTP valuation**

| In Rpbn, unless stated otherwise | FY26F | Remarks |
|---|---|---|
| **Consolidated** | | |
| EV/EBITDA Multiple (x) | 6 | At +2x s.d. above sector mean since 2021; premium for its solid operations with ample dividend payout |
| EBITDA | 4,885 | |
| EV | 31,508 | |
| Market cap | 33,664 | |
| Debt | 662 | |
| Cash | 3,600 | |
| Minority | 781 | |
| **JV/Asso - USTP** | | |
| P/E multiple | 7 | At sector mean since 2021 |
| Earnings - 100% stake | 2,411 | |
| Disc. for limited transparacy | 15% | |
| Market value | 15,267 | |
| TAPG's ownership | 50% | |
| TAPG's market value from USTP | 7,633 | |
| **SOP valuation** | | |
| Total equity value | 41,298 | |
| # share (bn) | 20 | |
| **Implied TP (Rp/sh)** | **2,080** | |
| **Rounded TP (Rp/sh)** | **2,100** | |
| Current price | 1,850 | |
| **Upside** | **14%** | |
| **Div.yield** | **9%** | **2026F dividend** |
| **Total return** | **22%** | |
| **IPC - Recommendation** | **BUY** | |
| Implied P/E | 9.5 | |
| Implied PEG FY26F | 1.5 | |
| Implied PEG 3Y CAGR FY24-27F | 0.7 | |
| Implied EV/EBITDA Adj. | 6.5 | |
| **Total planted area (th ha)** | **161** | |
| **Implied Market cap/ha (US$/ha)** | **15,721** | |
| **Implied EV/ha (US$/ha)** | **14,900** | |

*Source: Indo Premier*

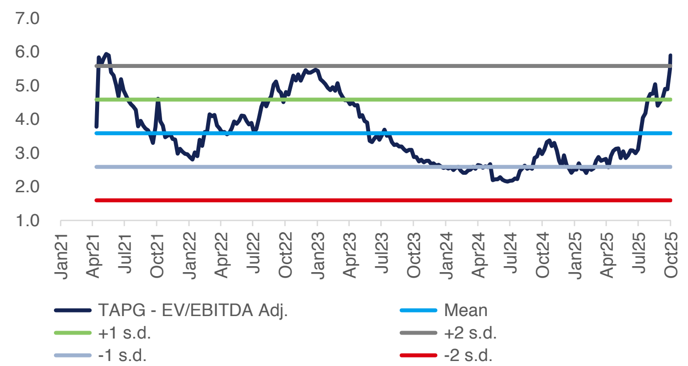
**Fig. 121: Sanity check using DCF valuation**

| Key assumptions | |
|---|---|
| Risk free rate | 7% |
| Market risk premium | 8% |
| Equity beta | 0.69 |
| Cost of equity | 12% |
| Cost of debt | 7% |
| Equity weight | 90% |
| Debt weight | 10% |
| Tax rate | -22% |
| WACC | 11% |
| Terminal Growth for Recurring Income | 0% |

| FCFF calculation - Rpbn unless stated otherwise | 2025F | 2026F | 2027F | 2028F | 2029F | 2030F |
|---|---|---|---|---|---|---|
| EBITDA | 4,596 | 4,885 | 4,991 | 4,997 | 5,003 | 5,010 |
| Dividend from JV/Asso | 920 | 1,151 | 1,160 | 1,169 | 1,179 | 1,189 |
| Tax expense | - 846 | - 924 | - 941 | - 941 | - 936 | - 932 |
| Capex | - 892 | - 908 | - 950 | - 1,050 | - 1,050 | - 1,050 |
| Changes in working capital | - 94 | - 5 | 8 | - 4 | - 5 | - 5 |
| **FCFF** | **3,684** | **4,199** | **4,268** | **4,171** | **4,191** | **4,212** |
| **FCFF - PV** | **3,684** | **3,780** | **3,459** | **3,043** | **2,753** | **2,490** |
| **Sum of FCFF PV** | **19,209** | | | | | |
| Terminal value growth | 0% | | | | | |
| **Terminal value PV** | **22,476** | | | | | |
| Debt | - 662 | | | | | |
| Cash | 2,345 | | | | | |
| Minority | - 619 | | | | | |
| **Net equity value** | **42,748** | **42,748** | **42,748** | **42,748** | **42,748** | **42,748** |
| # of shares (bn) | 20 | | | | | |
| **Target price/share (Rp)** | **2,153** | | | | | |
| Current px | 1,850 | | | | | |
| **Upside** | **16%** | | | | | |
| **Recommendation** | **BUY** | | | | | |
| **Core NP** | **4,076** | **4,336** | **4,404** | **4,411** | **4,406** | **4,402** |
| **Implied P/E** | **10.5** | **9.9** | **9.7** | **9.7** | **9.7** | **9.7** |
| **EBITDA** | **4,596** | **4,885** | **4,991** | **4,997** | **5,003** | **5,010** |
| **Implied EV/EBITDA** | **9.1** | **8.5** | **8.4** | **8.3** | **8.3** | **8.3** |

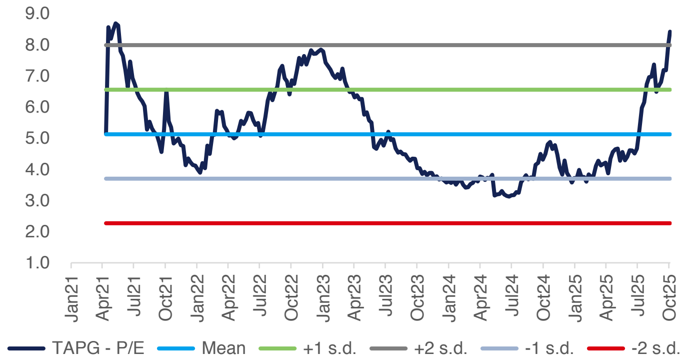
*Source: Indo Premier*

**Fig. 122: EV/EBITDA 12M forward**



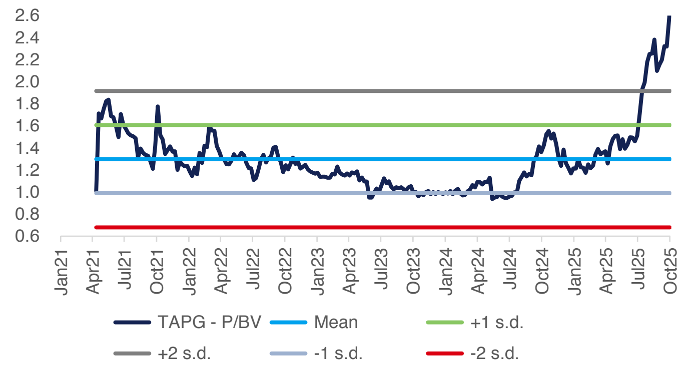

*Source: Company, Indo Premier*

**Fig. 123: P/E 12M forward**




*Source: Company, Indo Premier*

**Fig. 124: P/BV**



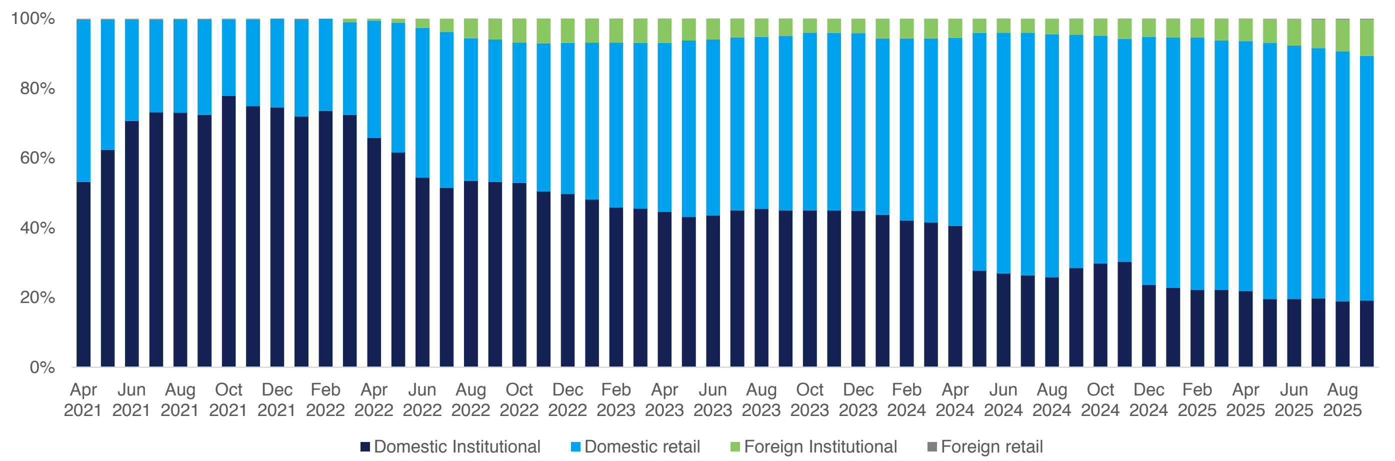

*Source: Company, Indo Premier*

**Fig. 125: PEG next year**


*Source: Company, Indo Premier*

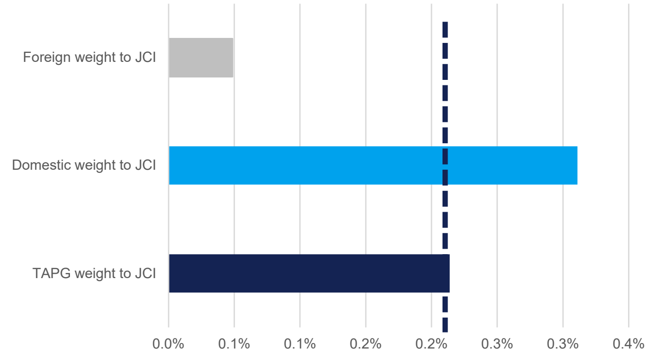
## Share ownership

**Fig. 126: Share ownership since 2013**



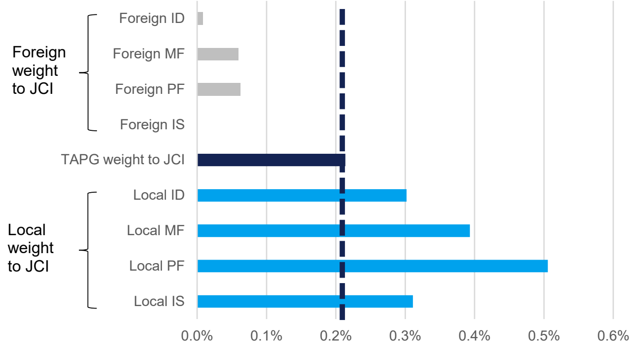

*Source: KSEI, Indo Premier*

**Fig. 127: TAPG share ownership in Sep25**




*Source: KSEI, Indo Premier*

**Fig. 128: TAPG share ownership in Sep25**




*Source: KSEI, Indo Premier*

| Income Statement (Rp bn) | 2023A | 2024A | 2025F | 2026F | 2027F |
|---|---|---|---|---|---|
| Net revenue | 8,326 | 9,671 | 12,431 | 12,690 | 12,541 |
| Cost of sales | (6,109) | (5,949) | (7,643) | (7,607) | (7,399) |
| **Gross profit** | **2,217** | **3,723** | **4,788** | **5,083** | **5,141** |
| Operating expenses | (875) | (894) | (897) | (933) | (923) |
| **Operating profit** | **1,342** | **2,829** | **3,891** | **4,150** | **4,218** |
| **EBITDA** | **1,985** | **3,504** | **4,596** | **4,885** | **4,991** |
| Net interest | (75) | (11) | 13 | 28 | 38 |
| Others | 674 | 1,110 | 1,109 | 1,244 | 1,254 |
| **Pre-tax income** | **1,941** | **3,927** | **5,012** | **5,423** | **5,509** |
| Income tax | (280) | (686) | (846) | (924) | (941) |
| Minority interest | (53) | (120) | (150) | (162) | (165) |
| **Net income** | **1,608** | **3,120** | **4,016** | **4,336** | **4,404** |
| **Core net profit** | **1,619** | **2,968** | **4,076** | **4,336** | **4,404** |

| Balance Sheet (Rp bn) | 2023A | 2024A | 2025F | 2026F | 2027F |
|---|---|---|---|---|---|
| Cash & equivalents | 1,007 | 1,309 | 2,345 | 3,600 | 4,469 |
| Inventories | 1,020 | 1,035 | 1,361 | 1,354 | 1,317 |
| Other current assets | 419 | 903 | 854 | 858 | 839 |
| **Total current assets** | **2,446** | **3,247** | **4,560** | **5,812** | **6,626** |
| Fixed assets | 7,483 | 7,388 | 7,425 | 7,348 | 7,175 |
| Other non-current assets | 3,939 | 3,672 | 3,951 | 4,021 | 4,087 |
| **Total non-current assets** | **11,422** | **11,061** | **11,377** | **11,369** | **11,262** |
| **Total assets** | **13,867** | **14,307** | **15,937** | **17,181** | **17,888** |
| | | | | | |
| Short term bank loans | 75 | 620 | 300 | 300 | 300 |
| Current portion of LT loans | 845 | 150 | - | 362 | - |
| Other current liab. | 1,039 | 1,592 | 1,776 | 1,768 | 1,720 |
| **Total current liab.** | **1,959** | **2,362** | **2,076** | **2,430** | **2,020** |
| Long term loans | 201 | 330 | 362 | - | - |
| Other LT liab. | 368 | 339 | 339 | 339 | 339 |
| **Total liabilities** | **2,528** | **3,031** | **2,777** | **2,769** | **2,358** |
| | | | | | |
| Equity | 4,745 | 4,854 | 4,854 | 4,854 | 4,854 |
| Retained earnings | 6,149 | 5,954 | 7,687 | 8,777 | 9,730 |
| Minority interest | 446 | 469 | 619 | 781 | 946 |
| **Total SHE + minority int.** | **11,340** | **11,276** | **13,159** | **14,412** | **15,530** |
| **Total liabilities & equity** | **13,867** | **14,307** | **15,937** | **17,181** | **17,888** |

*Source: Company, Indo Premier*

| Cash Flow Statement (Rp bn) | 2022A | 2023A | 2024F | 2025F | 2026F |
|---|---|---|---|---|---|
| Net income | 1,608 | 3,120 | 4,016 | 4,336 | 4,404 |
| Depr. & amortization | 612 | 617 | 705 | 735 | 773 |
| Changes in working capital | (139) | 55 | (94) | (5) | 8 |
| Others | - | - | - | - | - |
| **Cash flow from operating** | **2,081** | **3,792** | **4,627** | **5,066** | **5,184** |
| Capital expenditure | (802) | (522) | (742) | (658) | (600) |
| Others | (385) | 267 | (279) | (69) | (66) |
| **Cash flow from investing** | **(1,187)** | **(255)** | **(1,021)** | **(727)** | **(666)** |
| Loans | (1,164) | (50) | (438) | - | (362) |
| Equity | 19 | 109 | - | - | - |
| Dividends | (754) | (3,315) | (2,283) | (3,246) | (3,451) |
| Others | 54 | 23 | 150 | 162 | 165 |
| **Cash flow from financing** | **(1,845)** | **(3,234)** | **(2,570)** | **(3,083)** | **(3,649)** |
| **Changes in cash** | **(951)** | **302** | **1,035** | **1,255** | **869** |

| Key Ratios | 2022A | 2023A | 2024F | 2025F | 2026F |
|---|---|---|---|---|---|
| Gross margin | 27% | 38% | 39% | 40% | 41% |
| EBITDA margin | 24% | 36% | 37% | 38% | 40% |
| Pre-tax margin | 23% | 41% | 40% | 43% | 44% |
| Core net margin | 19% | 31% | 33% | 34% | 35% |
| ROA | 12% | 21% | 26% | 25% | 25% |
| ROE | 15% | 27% | 33% | 32% | 30% |
| ROIC | 15% | 28% | 38% | 41% | 42% |
| | | | | | |
| Net gearing (x) | 0.0 | (0.0) | (0.1) | (0.2) | (0.3) |
| Net debt to EBITDA (x) | 0.1 | (0.1) | (0.4) | (0.6) | (0.8) |
| Interest coverage (x) | 13.0 | 46.4 | 75.2 | 112.2 | 133.1 |

*Source: Company, Indo Premier*

**SECTOR RATINGS**

| | | |
|---|---|---|
| OVERWEIGHT | : | An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation |
| NEUTRAL | : | A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation |
| UNDERWEIGHT | : | An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation |

**COMPANY 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 |

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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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# PP London Sumatra Indonesia

**BUY**

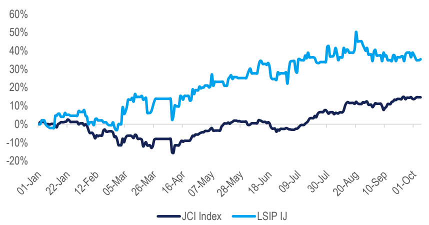
***Company Initiation | Plantations | LSIP IJ | 6 October 2025***

**Stock Data**

| | |
|---|---|
| **Target price** | **Rp1,500** |
| *Prior TP* | *N/A* |
| Current price | 1,315 |
| *Upside/downside* | *+13.7%* |
| Shares outstanding (mn) | 6,820 |
| Market cap (Rp bn) | 9,002 |
| Free float | 40% |
| Avg. 6m daily T/O (Rp bn) | 16 |

**Price Performance**

| | 3M | 6M | 12M |
|---|---|---|---|
| Absolute | 4.6% | -2.2% | 2.7% |
| Relative to JCI | 10.7% | 7.8% | 10.4% |
| 52w low/high (Rp) | | | 2,080 – 2,610 |




**Major Shareholders**

| | |
|---|---|
| Salim Ivomas Pratama | 59.5% |

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## Underappreciated value

- Part of Salim Group, LSIP is facing an aging plantation which limits its upside from elevated CPO prices.
- Earnings are expected to grow at a 9% CAGR, peaking in FY25F. The balance sheet remains strong, supporting a stable DPR of 35% p.a.
- Reinitiate with a BUY and TP Rp1,500/sh; LSIP also offers attractive dividend yield of 8% p.a. in FY26–27F.

**Part of Salim Group; Aging plantations weigh on yield**

LSIP, majority-owned (59.5%) by Salim Ivomas Pratama (SIMP IJ, NR), operates plantations across Sumatera, Kalimantan, Java, and Sulawesi, with palm oil contributing 94% of 2024 revenue and other crops (tea, rubber, seed) 6% in 6M25. About 80–90% of FFB is sold to SIMP on a volume and floating-price basis. Operationally, plantations are older, with ~50% of the area over 21 years old, producing low yields of 14 tonnes/ha and higher KER compared to peers. The company targets ~1k ha of replanting per year.

**Strong fundamentals, cash rich, but conservative on dividends**

LSIP's FY25F earnings are expected to be the peak, similar to AALI, as aging plantations limit benefits from elevated prices and rising costs from third-party dependence. We see limited impact from land usage permit issues, with an estimated 97ha of potential seized area, representing 0.1% of total area in 2024. Core NP is still projected to grow by 9% CAGR in FY24–27F, supported by elevated ASP. Going forward, capex is expected to remain manageable at around Rp350bn p.a., supporting a stable replanting program, while the balance sheet stays strong with no debt. DPR is likely to remain in line with historical levels at 35%, implying a 8% dividend yield p.a. in FY26–27F, reflecting a conservative approach.

**Too cheap to ignore; reinitiate with Buy**

LSIP has historically traded at a discount due to aging estates and low DPR level, though a higher payout could narrow the gap. We reinitiate with BUY, as valuation appears to be attractive with dividend yield of 8% p.a. Our TP of Rp 1,500/sh, based on EV/EBITDA FY26F of 1x (0.5x below LSIP's mean since 2021), implying P/E of 5x. Key risks include operational performance, lower-than-expected DPR, and CPO price volatility.

| Financial Summary (Rp bn) | 2023A | 2024A | 2025F | 2026F | 2027F |
|---|---|---|---|---|---|
| Revenue | 4,190 | 4,563 | 5,875 | 5,761 | 5,651 |
| EBITDA | 1,264 | 2,092 | 2,734 | 2,685 | 2,652 |
| Core net profit | 857 | 1,608 | 2,208 | 2,127 | 2,085 |
| Core EPS | 126 | 236 | 324 | 312 | 306 |
| Core EPS growth | -18% | 88% | 37% | -4% | -2% |
| ROE | 8% | 13% | 15% | 14% | 12% |
| PER (x) | 10.5 | 5.6 | 4.1 | 4.2 | 4.3 |
| EV/EBITDA | 3.5 | 1.7 | 0.8 | 0.2 | (0.3) |
| Dividend yield | 4% | 3% | 5% | 8% | 8% |
| IPS vs. consensus | | | 136% | 136% | 122% |

*Source: Company, Indo Premier* *Share price closing as of: 6 October 2025*

## Operational and financial highlights

We project LSIP's FFB processed to grow at a 2% CAGR in FY24–27F, lower than sector ~5%, due to aging estate, despite weather improvement. With stable OER and KER, CPO sales volume is expected to grow by 3%, while kernel oil and its derivatives should rise by 4% CAGR over the same period. Overall, this translates into 7% revenue CAGR.

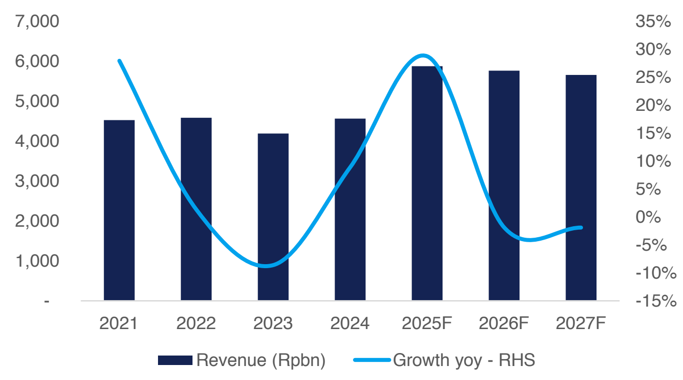
With limited leverage, EBITDA and core NP are projected to grow at 8% and 9% CAGR, respectively. Our core NP forecasts stand above consensus, mainly driven by stronger revenue assumptions.

**Fig. 129: Key operational assumptions**

| Assumptions | 2024 | 2025F | 2026F | 2027F |
|---|---|---|---|---|
| **FFB processed - th tonne** | **1,345** | **1,377** | **1,408** | **1,439** |
| Nucleus | 1,173 | 1,196 | 1,218 | 1,239 |
| External (Plasma and 3rd parties) | 172 | 181 | 190 | 199 |
| **FFB processed growth yoy - %** | **-2%** | **2%** | **2%** | **2%** |
| Nucleus | 0% | 2% | 2% | 2% |
| External (Plasma and 3rd parties) | -14% | 5% | 5% | 5% |
| **FFB yield (Nucleus) - tonne/ha** | **13.8** | **13.9** | **14.2** | **14.4** |
| **Planted area (Nucleus) - th ha** | **91** | **91** | **91** | **91** |
| Mature | 85 | 86 | 86 | 86 |
| Immature | 6 | 6 | 6 | 6 |
| **Sales volume (th tonne)** | | | | |
| CPO | 280 | 294 | 300 | 307 |
| PK and its product | 77 | 84 | 86 | 88 |
| **ASP (Rp/kg)** | | | | |
| CPO | 13,003 | 14,801 | 14,780 | 14,780 |
| PK and its product | 7,697 | 13,862 | 11,235 | 8,628 |

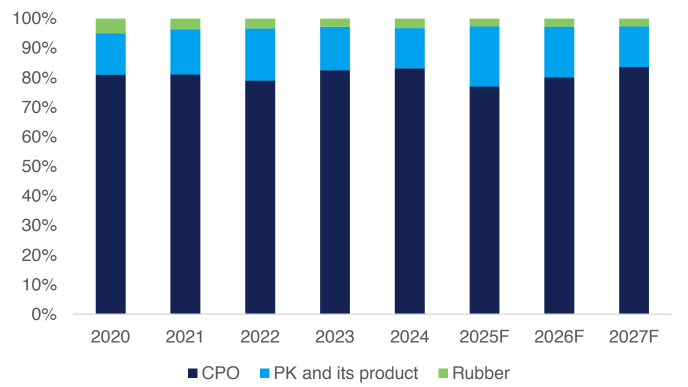
*Source: Indo Premier*

**Fig. 130: We expect revenue to grow by 7% CAGR in FY24-27F**



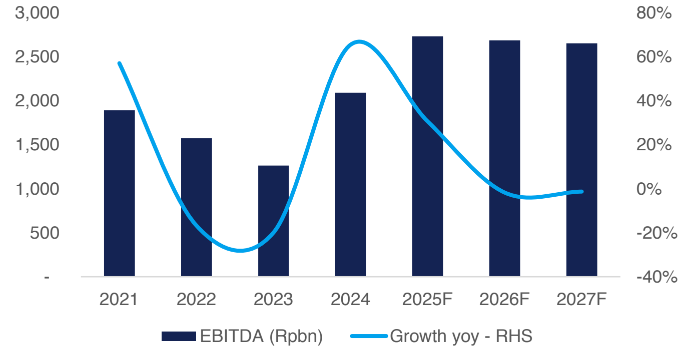

*Source: Company, Indo Premier*

**Fig. 131: Revenue from CPO and derivatives is expected to remain the major contributor**



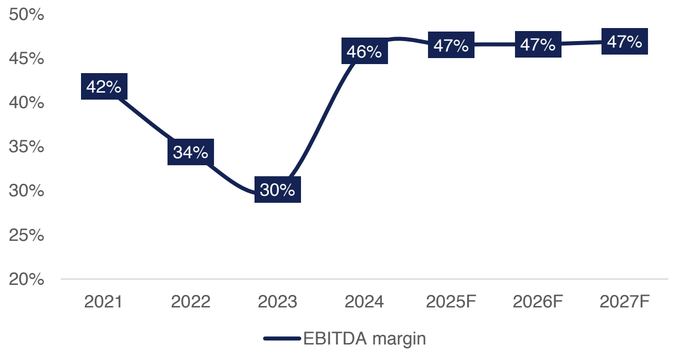

*Source: Company, Indo Premier*

**Fig. 132: We expect EBITDA to grow by 8% CAGR in FY24-27F**



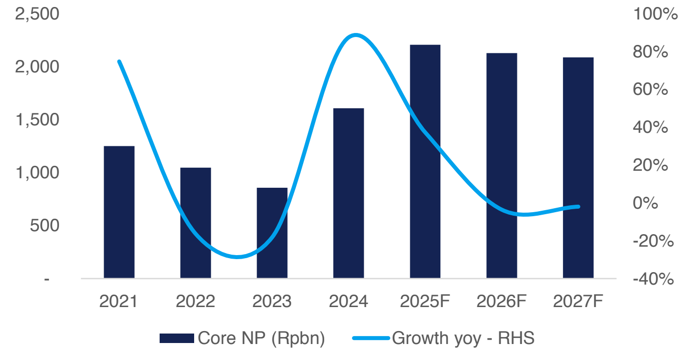

*Source: Company, Indo Premier*

**Fig. 133: EBITDA margin**



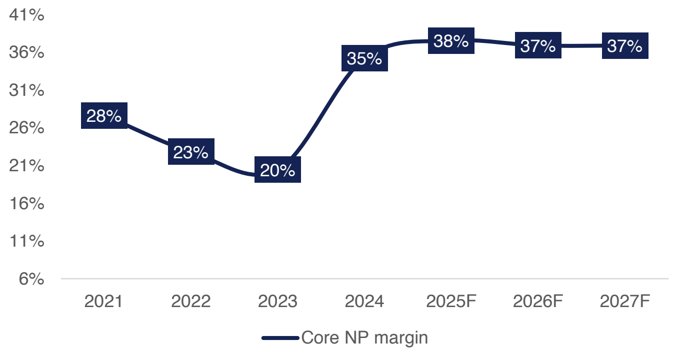

*Source: Company, Indo Premier*

**Fig. 134: We expect core NP to grow by 9% CAGR in FY24-27F**



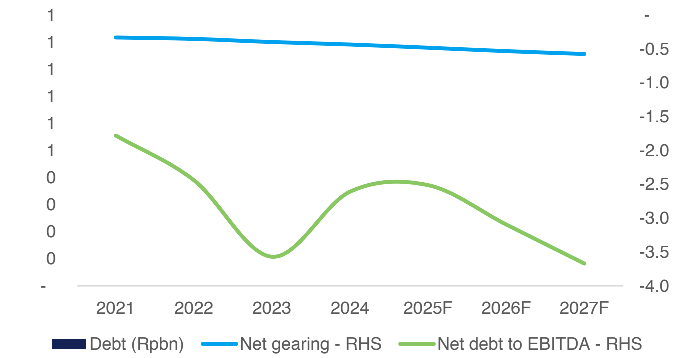

*Source: Company, Indo Premier*

**Fig. 135: Core NP margin**



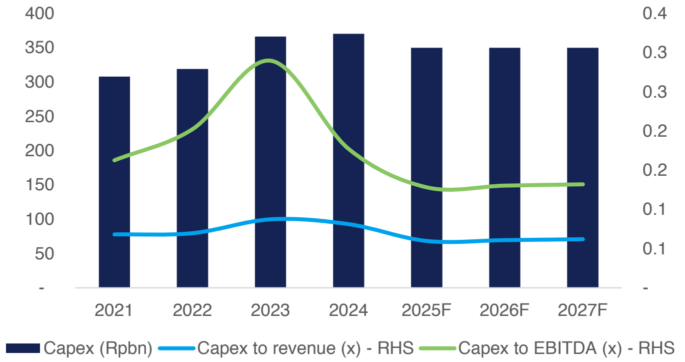

*Source: Company, Indo Premier*

**Fig. 136: LSIP has no debt position**



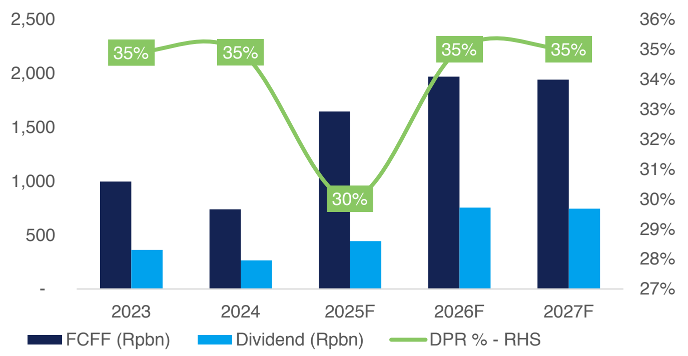

*Source: Company, Indo Premier*

**Fig. 137: While capex is expected to be stable across FY25-27F, as the company is not expecting for an aggressive replanting**



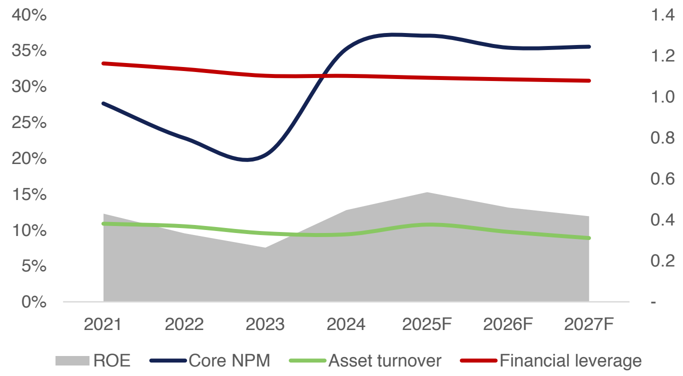

*Source: Company, Indo Premier*

**Fig. 138: While company is expecting to have a stable DPR**




*Source: Company, Indo Premier*

**Fig. 139: ROE is expected to decline in FY25-27F**




*Source: Company, Indo Premier*

## Attractive valuation

Historically, LSIP has traded at a discount to the sector, reflecting its aging estate profile and governance structure. In our view, a stronger dividend policy could help narrow this gap.

We reinitiate LSIP with a BUY call due to attractive valuation, despite FY25F core NP could be the peak. Our TP of Rp1,500/sh is based on 1x EV/EBITDA FY26F (-0.5 s.d. below LSIP's mean since 2021), implying for 5x P/E (-0.4 s.d. below LSIP's mean since 2021) and 8% dividend yield, and is below our DCF valuation of Rp3,211/sh, as we view EV/EBITDA as more reflective of the aging profile.

**Fig. 140: LSIP – EV/EBITDA valuation**

| In Rpbn, unless stated otherwise | FY26F | Remarks |
|---|---|---|
| EV/EBITDA Multiple (x) | 1 | At -0.5 s.d. below mean since 2021, as earnings is expected to be peak in FY25F |
| EBITDA | 2,685 | |
| EV | 1,880 | |
| Market cap | 10,199 | |
| Debt | - | |
| Cash | 8,315 | |
| Minority | - 5 | |
| # share (bn) | 7 | |
| **Implied price per share** | **1,496** | |
| **Rounded TP (Rp/sh)** | **1,500** | |
| Current price | 1,315 | |
| **Upside** | **14%** | |
| **Div.yield** | **8%** | |
| **Total return** | **22%** | |
| **IPC - Recommendation** | **BUY** | |
| Implied P/E | 4.8 | |
| Implied PEG FY26F | N/A | |
| Implied PEG 3-year CAGR FY24-27F | 0.5 | |
| **Total planted area (th ha)** | **124** | |
| **Implied Market cap/ha (US$/ha)** | **5,035** | |
| **Implied EV/ha (US$/ha)** | **928** | |

*Source: Indo Premier*

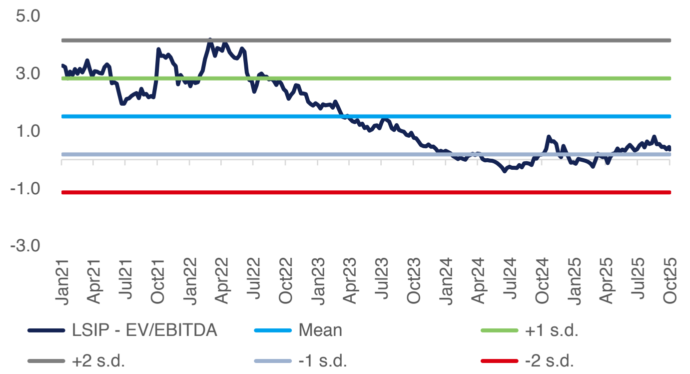
**Fig. 3: Sanity check using DCF valuation**

| **Key assumptions** | |
|---|---|
| Risk free rate | 7% |
| Market risk premium | 8% |
| Equity beta | 0.99 |
| Cost of equity | 14% |
| Cost of debt | 7% |
| Equity weight | 100% |
| Debt weight | 0% |
| Tax rate | -16% |
| WACC | 13.9% |
| Terminal Growth for Recurring Income | 0% |

| **FCFF calculation - Rpbn unless stated otherwise** | **2025F** | **2026F** | **2027F** | **2028F** | **2029F** | **2030F** |
|---|---|---|---|---|---|---|
| EBITDA | 2,734 | 2,685 | 2,652 | 2,679 | 2,666 | 2,652 |
| Tax expense | - 403 | - 398 | - 390 | - 392 | - 388 | - 384 |
| Capex | - 350 | - 350 | - 350 | - 350 | - 350 | - 350 |
| Changes in working capital | - 334 | 29 | 27 | - 1 | 2 | 2 |
| **FCFF** | **1,647** | **1,967** | **1,939** | **1,936** | **1,929** | **1,919** |
| **DCF** | **0** | **1** | **2** | **3** | **4** | **5** |
| **FCFF - PV** | **1,647** | **1,726** | **1,494** | **1,309** | **1,145** | **1,000** |
| **Sum of FCFF PV** | **8,321** | | | | | |
| Terminal value growth | 0% | | | | | |
| **Terminal value PV** | **7,182** | | | | | |
| Debt | - | | | | | |
| Cash | 6,867 | | | | | |
| Minority | 4 | | | | | |
| **Net equity value** | **22,374** | **22,374** | **22,374** | **22,374** | **22,374** | **22,374** |
| # of shares (bn) | 7 | | | | | |
| **Target price/share (Rp)** | **3,281** | | | | | |
| Current px | 1,315 | | | | | |
| **Upside** | **149%** | | | | | |
| **Recommendation** | **BUY** | | | | | |
| **Core NP** | **2,208** | **2,127** | **2,085** | **2,097** | **2,076** | **2,055** |
| **Implied P/E** | **10.1** | **10.5** | **10.7** | **10.7** | **10.8** | **10.9** |
| **EBITDA** | **2,734** | **2,685** | **2,652** | **2,679** | **2,666** | **2,652** |
| **Implied EV/EBITDA** | **5.7** | **5.8** | **5.8** | **5.8** | **5.8** | **5.8** |

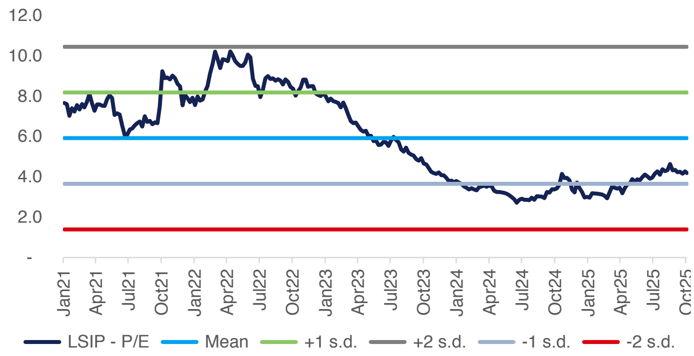
*Source: Indo Premier*

**Fig. 141: EV/EBITDA 12M forward**




*Source: Company, Indo Premier*

**Fig. 142: P/E 12M forward**

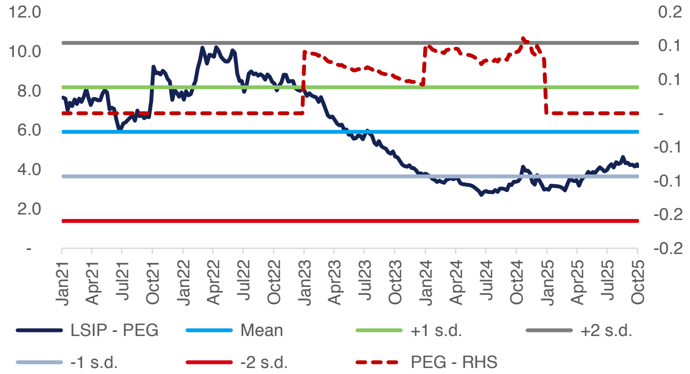



*Source: Company, Indo Premier*

**Fig. 143: P/BV 12M forward**


*Source: Company, Indo Premier*

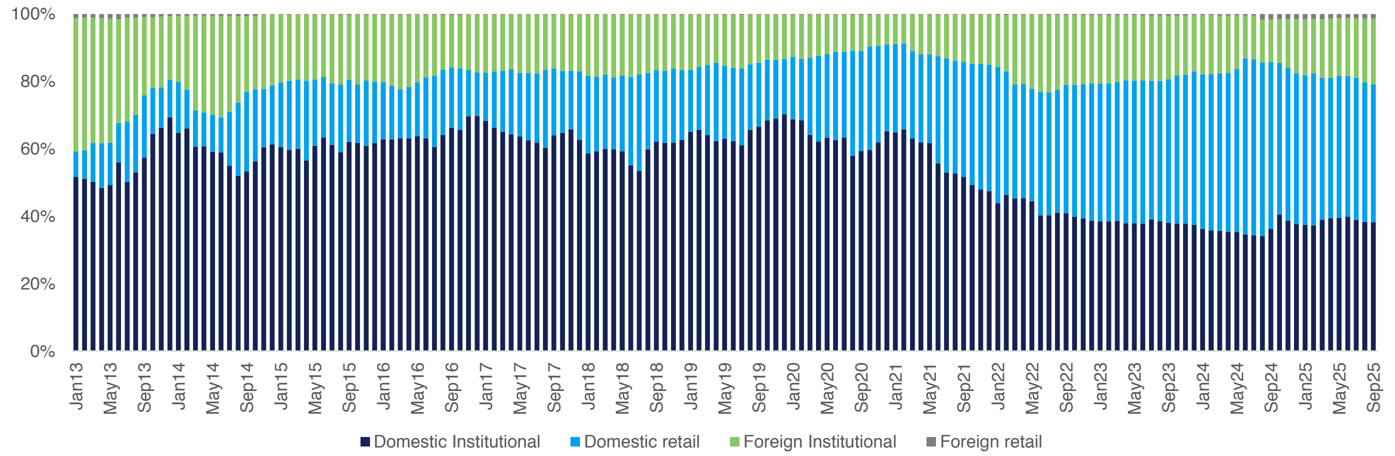
**Fig. 144: PEG next year**




*Source: Company, Indo Premier*

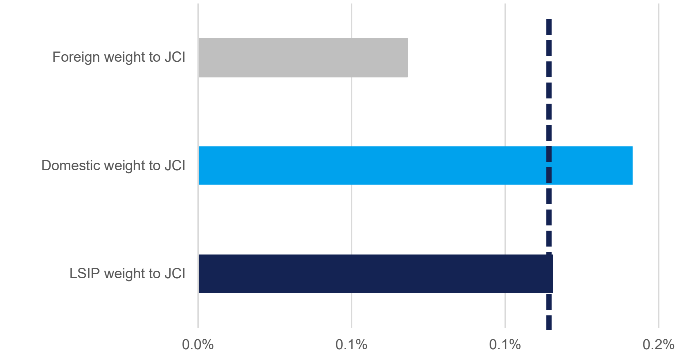
# Share ownership

**Fig. 3: Share ownership since 2013**



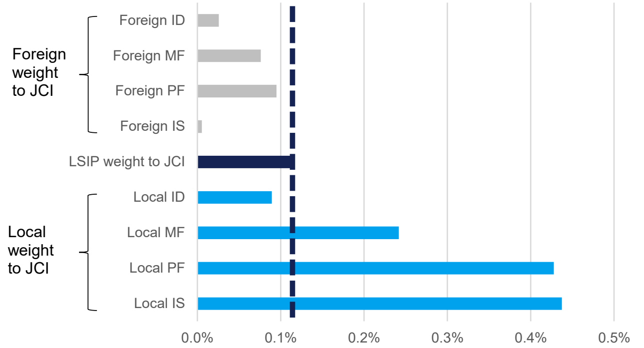

*Source: Indo Premier*

**Fig. 145: LSIP share ownership in Sep25**




*Source: Company, Indo Premier*

**Fig. 146: LSIP share ownership in Sep25**




*Source: Company, Indo Premier*

| Income Statement (Rp bn) | FY23 | FY24 | FY25F | FY26F | FY27F |
|---|---|---|---|---|---|
| Net revenue | 4,190 | 4,563 | 5,875 | 5,761 | 5,651 |
| Cost of sales | (3,039) | (2,571) | (3,156) | (3,109) | (3,051) |
| **Gross profit** | **1,151** | **1,992** | **2,719** | **2,652** | **2,600** |
| Operating expenses | (280) | (288) | (377) | (370) | (363) |
| **Operating profit** | **871** | **1,704** | **2,342** | **2,282** | **2,237** |
| **EBITDA** | **1,264** | **2,092** | **2,734** | **2,685** | **2,652** |
| Net interest | 155 | 216 | 269 | 226 | 221 |
| Others | (115) | (147) | (53) | 16 | 16 |
| **Pre-tax income** | **911** | **1,773** | **2,558** | **2,523** | **2,474** |
| Income tax | (151) | (297) | (403) | (398) | (390) |
| Minority interest | 1 | 1 | 1 | 1 | 1 |
| **Net income** | **762** | **1,477** | **2,156** | **2,127** | **2,085** |
| **Core net profit** | **857** | **1,608** | **2,208** | **2,127** | **2,085** |

| Balance Sheet (Rp bn) | FY23 | FY24 | FY25F | FY26F | FY27F |
|---|---|---|---|---|---|
| Cash & equivalents | 4,511 | 5,454 | 6,867 | 8,315 | 9,741 |
| Inventories | 431 | 620 | 798 | 783 | 768 |
| Other current assets | 434 | 1,044 | 1,240 | 1,223 | 1,207 |
| **Total current assets** | **5,377** | **7,117** | **8,906** | **10,321** | **11,715** |
| Fixed assets | 5,493 | 5,050 | 5,014 | 4,967 | 4,908 |
| Other non-current assets | 1,644 | 1,675 | 1,675 | 1,675 | 1,675 |
| **Total non-current assets** | **7,137** | **6,725** | **6,689** | **6,641** | **6,583** |
| **Total assets** | **12,514** | **13,842** | **15,594** | **16,962** | **18,298** |
| | | | | | |
| Short term bank loans | - | - | - | - | - |
| Current maturities of LT bank loans | - | - | - | - | - |
| Bonds payable | - | - | - | - | - |
| Other current liab. | 564 | 678 | 719 | 716 | 712 |
| **Total current liab.** | **564** | **678** | **719** | **716** | **712** |
| LT bank loans | - | - | - | - | - |
| Other LT liab. | 602 | 607 | 607 | 607 | 607 |
| **Total liabilities** | **1,167** | **1,285** | **1,326** | **1,323** | **1,319** |
| | | | | | |
| Equity | 1,724 | 1,724 | 1,724 | 1,724 | 1,724 |
| Retained earnings | 9,624 | 10,835 | 12,547 | 13,920 | 15,260 |
| Minority interest | (1) | (2) | (4) | (5) | (6) |
| **Total SHE + minority int.** | **11,347** | **12,557** | **14,268** | **15,639** | **16,979** |
| **Total liabilities & equity** | **12,514** | **13,842** | **15,594** | **16,962** | **18,298** |

*Source: Company, Indo Premier*

| Cash Flow Statement (Rp bn) | FY23 | FY24 | FY25F | FY26F | FY27F |
|---|---|---|---|---|---|
| Net income | 762 | 1,477 | 2,156 | 2,127 | 2,085 |
| Depr. & amortization | 519 | 658 | 386 | 397 | 409 |
| Changes in working capital | 250 | (684) | (334) | 29 | 27 |
| Others | - | - | - | - | - |
| **Cash flow from operating** | **1,531** | **1,451** | **2,208** | **2,553** | **2,521** |
| Capital expenditure | (346) | (215) | (350) | (350) | (350) |
| Others | (0) | (31) | - | - | - |
| **Cash flow from investing** | **(347)** | **(246)** | **(350)** | **(350)** | **(350)** |
| Loans | (169) | 5 | - | - | - |
| Equity | 13 | (0) | - | - | - |
| Dividends | (362) | (266) | (443) | (755) | (744) |
| Others | (1) | (1) | (1) | (1) | (1) |
| **Cash flow from financing** | **(520)** | **(263)** | **(444)** | **(756)** | **(746)** |
| **Changes in cash** | **664** | **943** | **1,413** | **1,448** | **1,426** |

| Key Ratios | FY23 | FY24 | FY25F | FY26F | FY27F |
|---|---|---|---|---|---|
| Gross margin | v | 44% | 46% | 46% | 46% |
| EBITDA margin | 30% | 46% | 47% | 47% | 47% |
| Pre-tax margin | 22% | 39% | 44% | 44% | 44% |
| Core net margin | 20% | 35% | 38% | 37% | 37% |
| ROA | 7% | 12% | 14% | 13% | 11% |
| ROE | 8% | 13% | 15% | 14% | 12% |
| ROIC | 13% | 23% | 30% | 29% | 29% |
| | | | | | |
| Net gearing (x) | (0.4) | (0.4) | (0.5) | (0.5) | (0.6) |
| Net debt to EBITDA (x) | (3.6) | (2.6) | (2.5) | (3.1) | (3.7) |
| Interest coverage (x) | 2,233 | 3,204 | 14,619 | 14,359 | 14,181 |

*Source: Company, Indo Premier*

**SECTOR RATINGS**

| | | |
|---|---|---|
| OVERWEIGHT | : | An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation |
| NEUTRAL | : | A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation |
| UNDERWEIGHT | : | An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation |

**COMPANY 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 |

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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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INDOPREMIER

# Astra Agro Lestari

**HOLD**

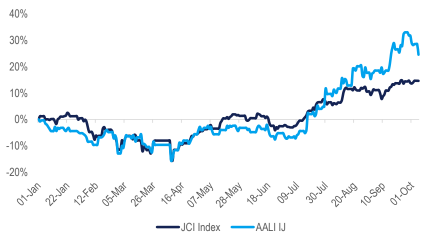
***Company Initiation | Plantations | AALI IJ | 6 October 2025***

**Stock Data**

| | |
|---|---|
| **Target price** | **Rp7,900** |
| *Prior TP* | *N/A* |
| Current price | *Rp7,975* |
| *Upside/downside* | -1.2% |
| Shares outstanding (mn) | 1,925 |
| Market cap (Rp bn) | 14,868 |
| Free float | *20%* |
| Avg. 6m daily T/O (Rp bn) | *9* |

**Price Performance**

| | 3M | 6M | 12M |
|---|---|---|---|
| Absolute | 33.8% | 37.9% | 17.0% |
| Relative to JCI | 15.6% | 13.3% | 8.8% |
| 52w low/high (Rp) | | 5,225 – 8,250 | |




**Major Shareholders**

| | |
|---|---|
| Astra International | 79.7% |

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## Aging giant with operational challenges; reinitiate with Hold

- AALI stands as the largest palm producer under our coverage, but with aging estates; we expect aggressive replanting going forward.
- Core NP is expected to be flat CAGR in FY25-27F, the lowest among our coverage, due to rising costs on 3rd party FFB, despite cost efficiency.
- Reinitiate with a HOLD call with TP of Rp7,900 underpinned by operational challenge and elevated valuation.

**Largest palm producer under our coverage**

Part of the Astra Group, AALI is Indonesia's largest plantation player under our coverage with 285k ha across Sumatera, Kalimantan, and Sulawesi. FFB yields have slipped to 14–16 t/ha in the past three years, well below the >20 t/ha peak in 2013–18 amid aging plantations as 32% of estates are over 21 years old. To address this, AALI is targeting >5 kha replanting in FY25F and 8 kha in FY26–27F while also pursuing RSPO membership to improve its ESG standards. Longer term, the company is evaluating additional downstream facilities, which remain under discussion and excluded from our estimates for now.

**Subdued earnings outlook with greater exposure to HGU issues**

We expect AALI's revenue to grow by 12% CAGR in FY24–27F, supported by higher sales volume and stronger ASP. However, core NP margins are likely to compress as reliance on third-party FFB increases, while internal production remains flat due to ongoing replanting and an aging estate. In addition, nucleus production could decline further from potential land usage permit (HGU) removals, which may affect 3.4k ha, or 2% of total planted area. We have factored this into our estimates (see more on "Supply reduction due to land utilization permit (HGU) issue in Indonesia"). As a result, core NP is expected to peak in FY25F, normalized by -12%/-4% p.a. in FY26-27F. Capex is set to rise to Rp1tr–1.2tr in FY25–27F (vs Rp941bn in 2024), still slightly below FY25F guidance of Rp1.4tr-1.5tr, as the company accelerates replanting. Despite higher capex, the balance sheet and FCF should remain solid, allowing DPR to be maintained at 45%, implying a dividend yield of 4% p.a. in FY25–27F.

**Reinitiate with HOLD call with TP of Rp7,900/sh**

We reinitiate with a HOLD call as aging estate shall not benefit them during price upcycle along with challenging operational outlook especially with potential impact from HGU issues appears higher than peers. To reflect these hurdles, we assign a 4x EV/EBITDA FY26F, or -1 s.d. below AALI's mean since 2021, resulting in a TP of Rp7,900/sh, implying 11x P/E FY26F. Key risks include operational challenges, weather, and regulatory uncertainties.

| Financial Summary (Rp bn) | 2023A | 2024A | 2025F | 2026F | 2027F |
|---|---|---|---|---|---|
| Revenue | 20,745 | 21,815 | 29,637 | 30,004 | 30,751 |
| EBITDA | 2,578 | 3,049 | 3,546 | 3,266 | 3,321 |
| Core net profit | 975 | 1,258 | 1,603 | 1,413 | 1,363 |
| Core EPS | 507 | 654 | 833 | 734 | 708 |
| Core EPS growth | -46% | 29% | 27% | -12% | -4% |
| ROE | 4% | 6% | 7% | 6% | 5% |
| PER (x) | 15.7 | 12.2 | 9.6 | 10.9 | 11.3 |
| EV/EBITDA | 6.9 | 5.2 | 3.8 | 3.9 | 3.5 |
| Dividend yield | 5% | 3% | 4% | 4% | 4% |
| IPS vs. consensus | | | 128% | 113% | 112% |

*Source: Company, Indo Premier* *price closing as of: 6 October 2025*

# Operational and financial highlights

We expect FFB processed to grow by 4% CAGR in FY24–27F, mainly driven by higher third-party purchases (+12% CAGR), while FFB from nucleus estates declines by -1% CAGR in FY24–27F amid aging estates. Thus, overall sales volume is expected to grow by 6% CAGR in FY24–27F, driving a 12% CAGR increase in revenue over the same period — the highest revenue growth in our coverage. However, we expect margins to be suppressed due to higher dependence on third-party FFB (lower OER, thinner margins).

We have also conservatively taken into account the potential removal of 3.4k ha due to land usage permit issues in FY25–27F, further pressuring nucleus estate production volume. (See more on "Supply reduction due to land utilization permit (HGU) issue in Indonesia")

Overall, we estimate AALI's core NP to peak at Rp1.6tr (+27% yoy) in FY25F, before declining -12%/–4% yoy in FY26–27F. Accordingly, EBITDA and core NP are projected to increase by +3% and +2% CAGR, respectively, in FY25–27F.

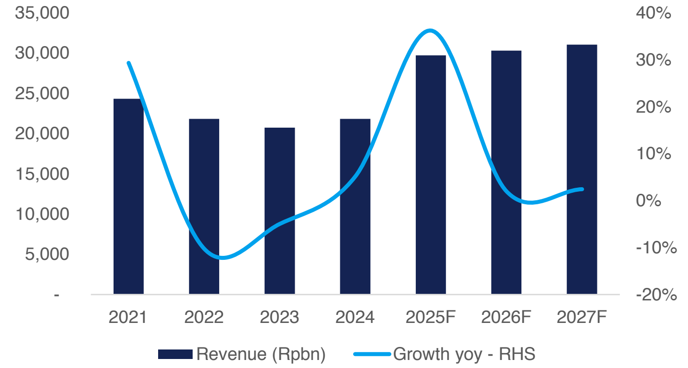
Our FY25F estimates are still above consensus by 112-128%, driven by higher CPO price assumptions.

**Fig. 147: Key operational assumptions**

| Assumptions | 2024 | 2025F | 2026F | 2027F |
|---|---|---|---|---|
| **FFB processed - th tonne** | **5,914** | **6,301** | **6,466** | **6,709** |
| Production from Nucleus | 3,002 | 2,996 | 2,928 | 2,903 |
| Production from Plasma | 731 | 797 | 778 | 772 |
| 3rd parties - purchases | 2,181 | 2,508 | 2,759 | 3,035 |
| **FFB processed growth yoy - %** | **-12%** | **7%** | **3%** | **4%** |
| Production from Nucleus | -9% | 0% | -2% | -1% |
| Production from Plasma | -30% | 9% | -2% | -1% |
| 3rd parties - purchases | -9% | 15% | 10% | 10% |
| **FFB yield (Nucleus and Plasma) - tonne/ha** | **14.1** | **14.4** | **14.4** | **14.4** |
| **Planted area (Nucleus and Plasma) - th ha** | **285** | **284** | **281** | **281** |
| Mature | 265 | 264 | 258 | 255 |
| Immature | 19 | 20 | 23 | 26 |
| **Sales volume - th tonne** | **1,767** | **2,022** | **2,049** | **2,099** |
| CPO and derivatives | 1,554 | 1,771 | 1,805 | 1,859 |
| Kernel and derivatives | 214 | 251 | 244 | 240 |
| **ASP - Rp/kg** | | | | |
| CPO and derivatives | 12,989 | 14,801 | 14,780 | 14,780 |
| Kernel and derivatives | 7,592 | 13,459 | 13,440 | 13,440 |

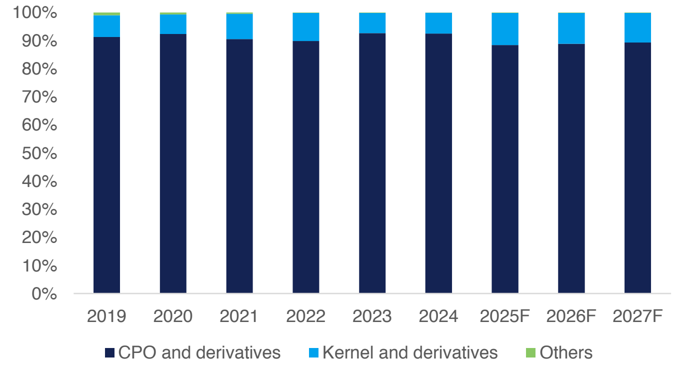
*Source: Indo Premier*

**Fig. 148: We expect revenue to grow by 12% CAGR in FY24-27F**



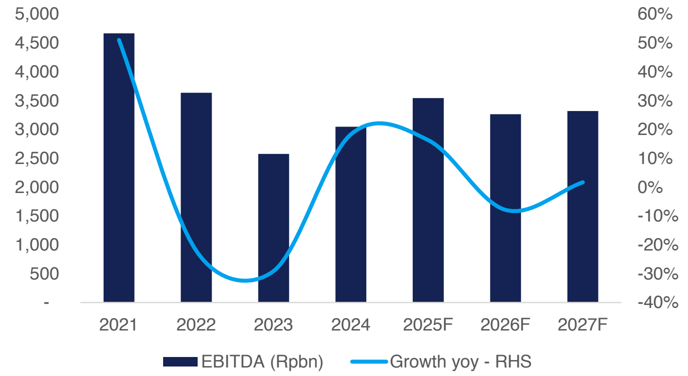

*Source: Company, Indo Premier*

**Fig. 149: Revenue from CPO and derivatives is expected to remain the major contributor**



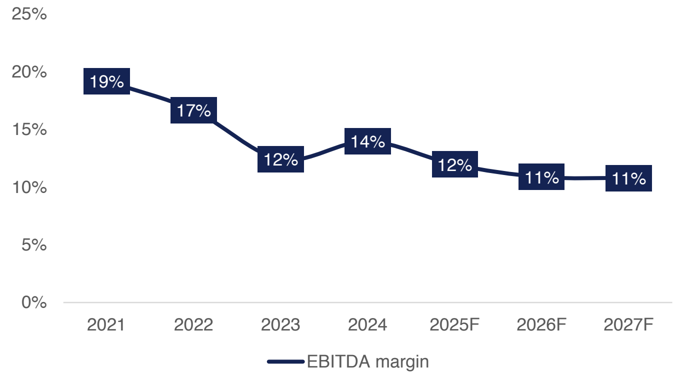

*Source: Company, Indo Premier*

**Fig. 150: We expect EBITDA to increase by 3% CAGR in FY24-27F**



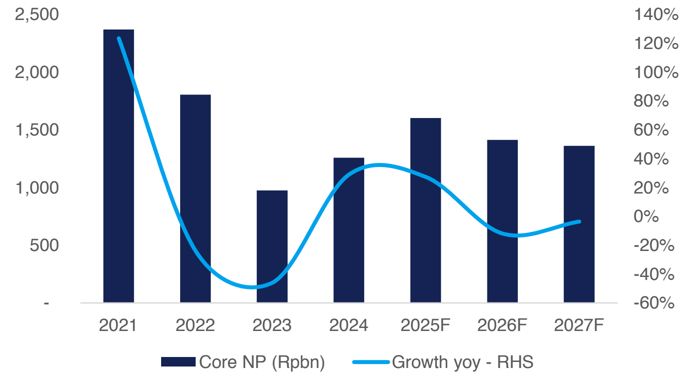

*Source: Company, Indo Premier*

**Fig. 151: EBITDA margin**



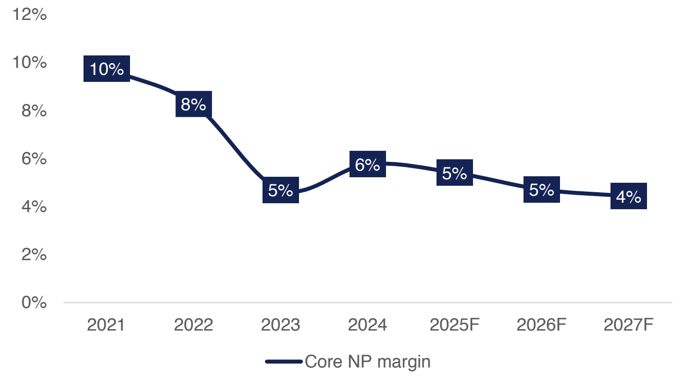

*Source: Company, Indo Premier*

**Fig. 152: We expect core NP to increase by 3% CAGR in FY24-27F**



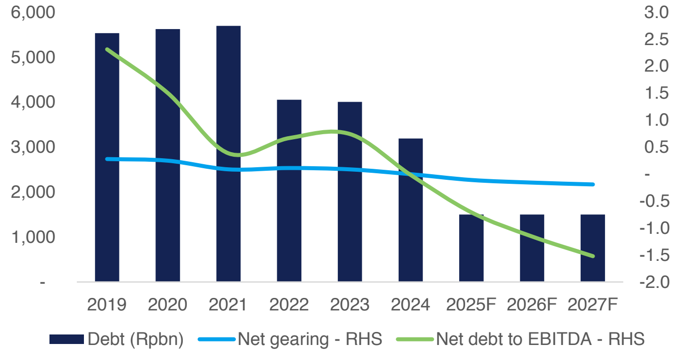

*Source: Company, Indo Premier*

**Fig. 153: Core NP margin**



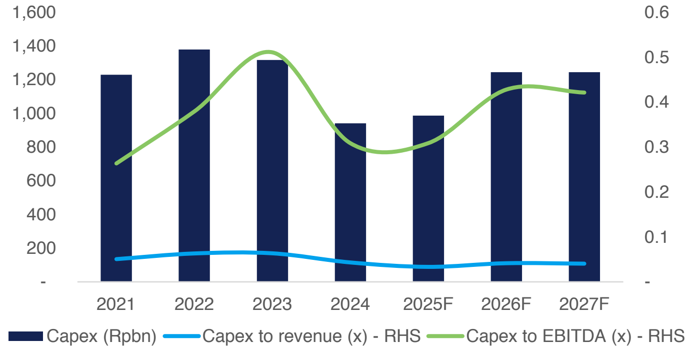

*Source: Company, Indo Premier*

**Fig. 154: While, on balance sheet, we expect leverage to remain manageable**



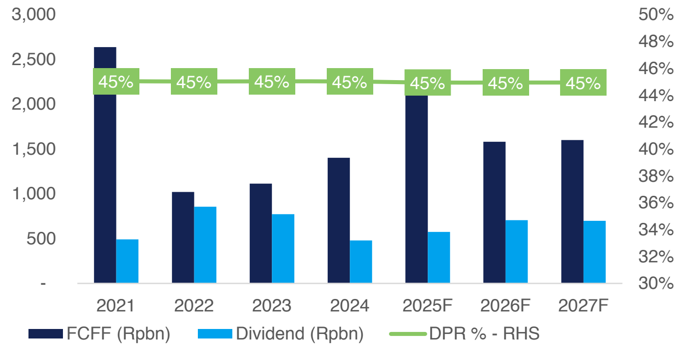

*Source: Company, Indo Premier*

**Fig. 155: Capex is expected to rise at 10% CAGR in FY24–27F, driven by the company's plan to accelerate its replanting program**



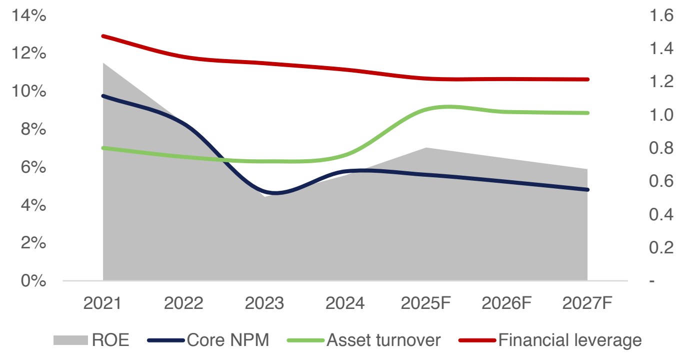

*Source: Company, Indo Premier*

**Fig. 156: ...yet FCFF remains robust, supporting continued dividend payments despite rising capex**




*Source: Company, Indo Premier*

**Fig. 157: We expect ROE to peak in FY25F before normalizing in FY26–27F, amid weakening profits (based on our estimates) and lower leverage**




*Source: Company, Indo Premier*

## Valuation

We reinitiate coverage on AALI with a HOLD call, as its aging estates could limit the company's ability to benefit from elevated CPO prices, coupled with higher risk from land usage permit (HGU) issues. We assign a 4x EV/EBITDA FY26F, or -1 s.d. below AALI's mean since 2021, to reflect these concerns. This results in a TP of Rp7,900/sh, implying 11x FY26F P/E (at mean since 2021), which is lower than our DCF-based fair value of Rp9,025/sh.

**Fig. 158: AALI – EV/EBITDA valuation**

| In Rpbn, unless stated otherwise | FY26F | Remarks |
|---|---|---|
| EV/EBITDA Multiple (x) | 4 | At -1 s.d. below mean since 2021, as we expect earnings decline in FY26-27F |
| EBITDA | 3,266 | |
| EV | 12,412 | |
| Market cap | 15,171 | |
| Debt | 1,500 | |
| Cash | 4,923 | |
| Minority | 664 | |
| # share (bn) | 2 | |
| **Implied price per share** | **7,882** | |
| **Rounded TP (Rp/sh)** | **7,900** | |
| Current price | 7,975 | |
| **Upside** | **-1%** | |
| **Div.yield** | **4%** | **FY26F dividend yield** |
| **Total return** | **3%** | |
| **IPC - Recommendation** | **HOLD** | |
| Implied P/E | 10.7 | |
| Implied PEG FY26F | N/A | |
| Implied PEG 3-year CAGR FY24-27F | N/A | |
| **Total planted area (th ha)** | **281** | |
| **Implied Market cap/ha (US$/ha)** | **3,298** | |
| **Implied EV/ha (US$/ha)** | **2,698** | |

*Source: Indo Premier*

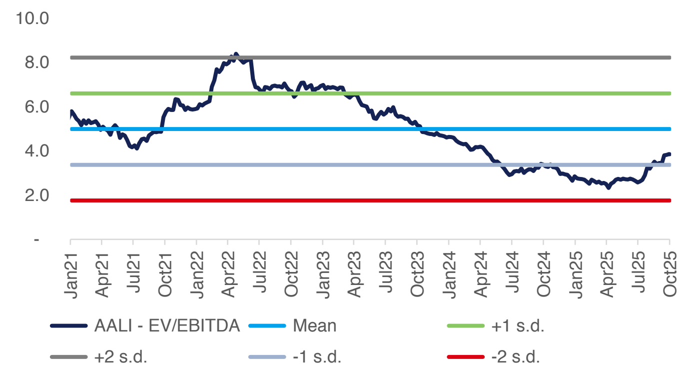
**Fig. 3: Sanity check using DCF valuation**

| Key assumptions | |
|---|---|
| Risk free rate | 7% |
| Market risk premium | 8% |
| Equity beta | 0.83 |
| Cost of equity | 13% |
| Cost of debt | 7% |
| Equity weight | 90% |
| Debt weight | 10% |
| Tax rate | -25% |
| WACC | 12% |
| Terminal Growth for Recurring Income | 0% |

| FCFF calculation - Rpbn unless stated otherwise | 2025F | 2026F | 2027F | 2028F | 2029F | 2030F |
|---|---|---|---|---|---|---|
| EBITDA | 3,546 | 3,266 | 3,321 | 3,382 | 3,469 | 3,609 |
| Tax expense | - 562 | - 528 | - 511 | - 513 | - 523 | - 547 |
| Capex | - 987 | - 1,244 | - 1,244 | - 1,244 | - 1,244 | - 1,244 |
| Changes in working capital | 127 | - 67 | - 93 | - 81 | - 107 | - 155 |
| **FCFF** | **2,124** | **1,427** | **1,474** | **1,544** | **1,596** | **1,663** |
| **FCFF - PV** | **2,124** | **1,275** | **1,176** | **1,100** | **1,016** | **945** |
| **Sum of FCFF PV** | **7,636** | | | | | |
| Terminal value growth | 0% | | | | | |
| **Terminal value PV** | **7,903** | | | | | |
| Debt | - 1,500 | | | | | |
| Cash | 3,946 | | | | | |
| Minority | - 614 | | | | | |
| **Net equity value** | **17,371** | | | | | |
| # of shares (bn) | 2 | | | | | |
| **Target price/share (Rp)** | **9,025** | | | | | |
| Current px | 7,975 | | | | | |
| **Upside** | **13%** | | | | | |
| **Recommendation** | **BUY** | | | | | |

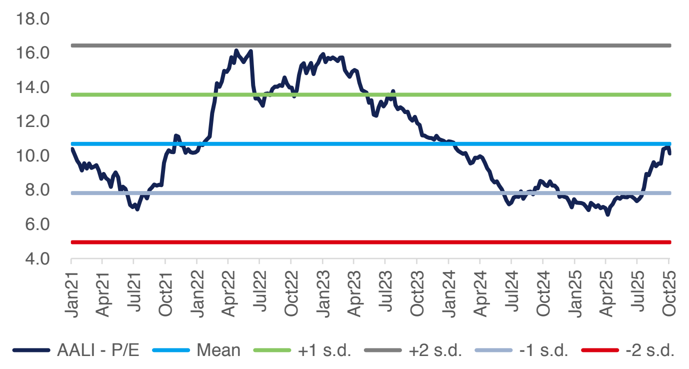
*Source: Indo Premier*

**Fig. 159: EV/EBITDA 12M forward**



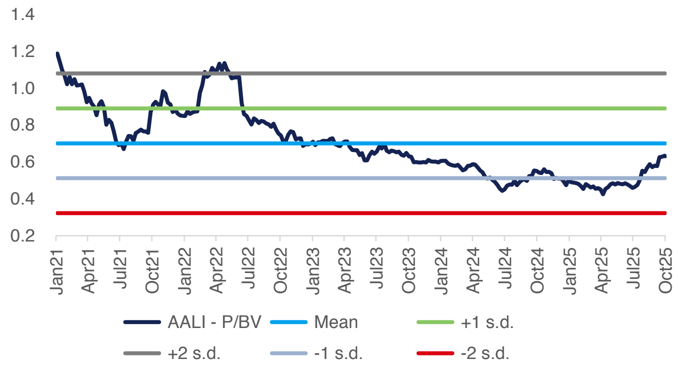

*Source: Company, Indo Premier*

**Fig. 160: P/E 12M forward**




*Source: Company, Indo Premier*

**Fig. 161: P/BV 12M forward**



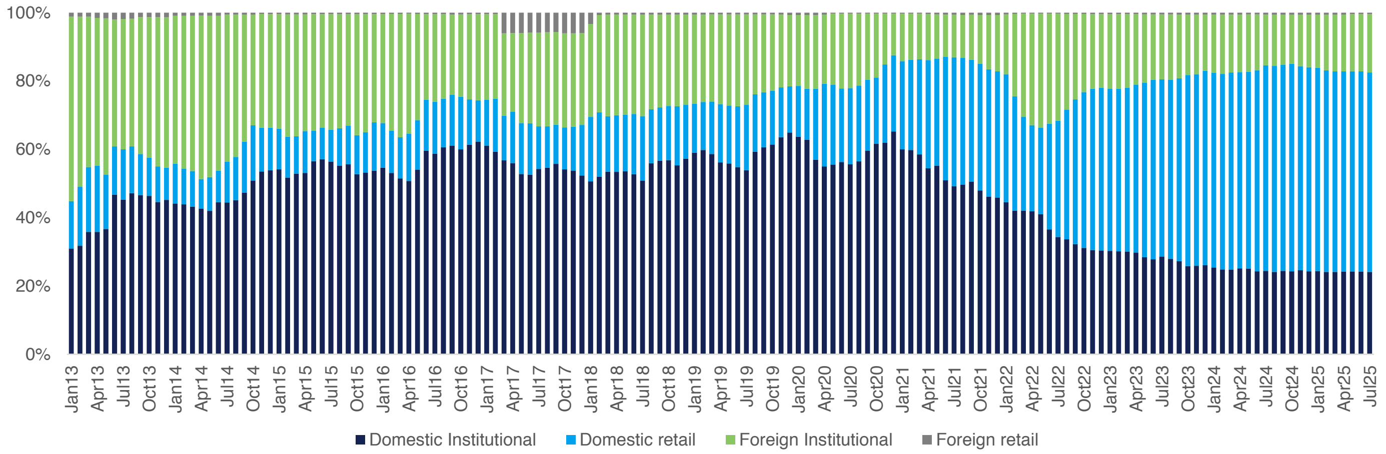

*Source: Company, Indo Premier*

**Fig. 162: PEG next year**


*Source: Company, Indo Premier*

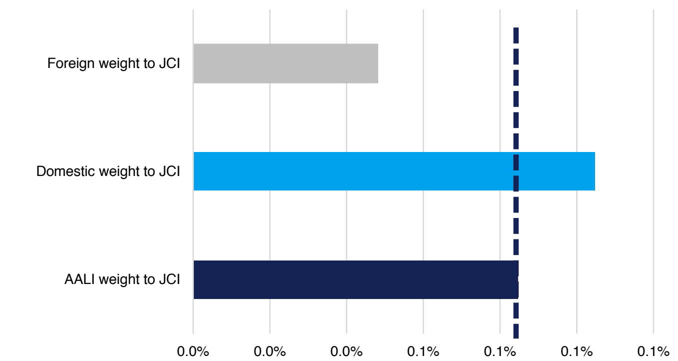
# Share ownership

**Fig. 3: Share ownership since 2013**



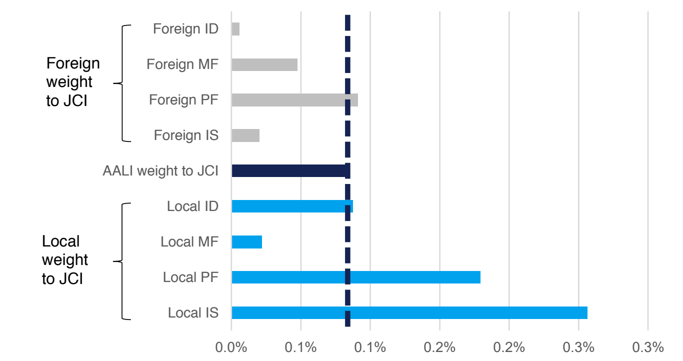

*Source: Indo Premier*

**Fig. 163: AALI share ownership in Sep25**




*Source: Company, Indo Premier*

**Fig. 164: AALI share ownership in Sep25**




*Source: Company, Indo Premier*

| Income Statement (Rp bn) | FY23 | FY24 | FY25F | FY26F | FY27F |
|---|---|---|---|---|---|
| Net revenue | 20,745 | 21,815 | 29,637 | 30,004 | 30,751 |
| Cost of sales | (17,974) | (18,474) | (25,040) | (25,713) | (26,405) |
| **Gross profit** | **2,771** | **3,341** | **4,596** | **4,291** | **4,346** |
| Operating expenses | (1,520) | (1,682) | (2,504) | (2,537) | (2,596) |
| **Operating profit** | **1,251** | **1,658** | **2,092** | **1,754** | **1,751** |
| **EBITDA** | **2,578** | **3,049** | **3,546** | **3,266** | **3,321** |
| Net interest | (176) | (53) | 76 | 153 | 82 |
| Forex gain (loss) | (18) | (8) | (12) | - | - |
| Others | 441 | 110 | (31) | 84 | 89 |
| **Pre-tax income** | **1,498** | **1,707** | **2,126** | **1,992** | **1,922** |
| Income tax | (410) | (520) | (562) | (528) | (511) |
| Minority interest | (32) | (39) | (54) | (50) | (48) |
| **Net income** | **1,056** | **1,148** | **1,510** | **1,413** | **1,363** |
| **Core net profit** | **975** | **1,258** | **1,603** | **1,413** | **1,363** |

| Balance Sheet (Rp bn) | FY23 | FY24 | FY25F | FY26F | FY27F |
|---|---|---|---|---|---|
| Cash & equivalents | 2,090 | 3,236 | 3,946 | 4,923 | 5,919 |
| Inventories | 2,876 | 3,700 | 3,756 | 3,857 | 3,961 |
| Other current assets | 2,153 | 1,498 | 1,907 | 1,931 | 1,979 |
| **Total current assets** | **7,118** | **8,434** | **9,609** | **10,711** | **11,858** |
| Fixed assets | 8,982 | 8,456 | 7,951 | 7,426 | 6,881 |
| Other non-current assets | 12,746 | 11,903 | 11,154 | 11,411 | 11,629 |
| **Total non-current assets** | **21,728** | **20,360** | **19,105** | **18,836** | **18,510** |
| **Total assets** | **28,846** | **28,793** | **28,714** | **29,547** | **30,368** |
| | | | | | |
| Current portion of LT loans | 2,315 | 1,690 | - | 1,500 | - |
| Other current liab. | 1,567 | 1,548 | 2,141 | 2,198 | 2,257 |
| **Total current liab.** | **3,882** | **3,238** | **2,141** | **3,698** | **2,257** |
| Long term loans | 1,690 | 1,500 | 1,500 | - | 1,500 |
| Other LT liab. | 708 | 854 | 899 | 899 | 899 |
| **Total liabilities** | **6,280** | **5,591** | **4,540** | **4,597** | **4,656** |
| | | | | | |
| Equity | 4,797 | 4,808 | 4,808 | 4,808 | 4,808 |
| Retained earnings | 17,219 | 17,834 | 18,753 | 19,478 | 20,191 |
| Minority interest | 550 | 560 | 614 | 664 | 713 |
| **Total SHE + minority int.** | **22,566** | **23,202** | **24,174** | **24,950** | **25,712** |
| **Total liabilities & equity** | **28,846** | **28,793** | **28,714** | **29,547** | **30,368** |

*Source: Company, Indo Premier*

| Cash Flow Statement (Rp bn) | FY23 | FY24 | FY25F | FY26F | FY27F |
|---|---|---|---|---|---|
| Net income | 1,056 | 1,148 | 1,510 | 1,413 | 1,363 |
| Depr. & amortization | 1,133 | 1,294 | 1,454 | 1,512 | 1,571 |
| Changes in working capital | 261 | (188) | 127 | (67) | (93) |
| Others | - | - | - | - | - |
| **Cash flow from operating** | **2,450** | **2,254** | **3,091** | **2,858** | **2,841** |
| Capex | (1,246) | (891) | (987) | (1,244) | (1,244) |
| Others | 244 | 966 | 787 | - | - |
| **Cash flow from investing** | **(1,002)** | **75** | **(200)** | **(1,244)** | **(1,244)** |
| Loans | (245) | (670) | (1,644) | - | - |
| Equity | 48 | (42) | 0 | - | 0 |
| Dividends | (772) | (479) | (591) | (687) | (650) |
| Others | (9) | 10 | 54 | 50 | 48 |
| **Cash flow from financing** | **(978)** | **(1,182)** | **(2,181)** | **(637)** | **(601)** |
| **Changes in cash** | **470** | **1,147** | **710** | **977** | **995** |

| Key Ratios | FY23 | FY24 | FY25F | FY26F | FY27F |
|---|---|---|---|---|---|
| Gross margin | 13% | 15% | 16% | 14% | 14% |
| EBITDA margin | 12% | 14% | 12% | 11% | 11% |
| Pre-tax margin | 7% | 8% | 7% | 7% | 6% |
| Core net margin | 5% | 6% | 5% | 5% | 4% |
| ROA | 3% | 4% | 6% | 5% | 4% |
| ROE | 4% | 6% | 7% | 6% | 5% |
| ROIC | 4% | 6% | 8% | 7% | 7% |
| | | | | | |
| Net gearing (x) | 0.1 | (0.0) | (0.1) | (0.1) | (0.2) |
| Net debt to EBITDA (x) | 0.7 | (0.0) | (0.7) | (1.0) | (1.3) |
| Interest coverage (x) | 10 | 12 | 21 | 35 | 33 |

*Source: Company, Indo Premier*

**SECTOR RATINGS**

| | | |
|---|---|---|
| OVERWEIGHT | : | An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation |
| NEUTRAL | : | A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation |
| UNDERWEIGHT | : | An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation |

**COMPANY 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.