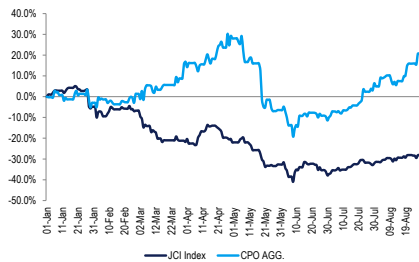


Sector Index Performance

|                 | 3M   | 6M   | 12M  |
|-----------------|------|------|------|
| Absolute        | 28.8 | 19.0 | 19.2 |
| Relative to JCI | 22.5 | 39.8 | 37.1 |



Summary Valuation Metrics

| P/E (x) | 2026F | 2027F | 2028F |
|---------|-------|-------|-------|
| DSNG IJ | 7.4   | 6.7   | 6.0   |
| TAPG IJ | 8.6   | 8.2   | 8.1   |
| LSIP IJ | 5.5   | 5.2   | 5.0   |
| AALI IJ | 7.5   | 8.8   | 8.6   |

| EV/EBITDA (x) | 2026F | 2027F | 2028F |
|---------------|-------|-------|-------|
| DSNG IJ       | 4.5   | 3.8   | 3.1   |
| TAPG IJ       | 6.1   | 5.6   | 5.4   |
| LSIP IJ       | 0.8   | 0.6   | 0.3   |
| AALI IJ       | 2.9   | 3.0   | 2.7   |

| Div. Yield | 2026F | 2027F | 2028F |
|------------|-------|-------|-------|
| DSNG IJ    | 3.0%  | 4.8%  | 6.0%  |
| TAPG IJ    | 9.0%  | 10.6% | 11.1% |
| LSIP IJ    | 6.6%  | 7.0%  | 6.7%  |
| AALI IJ    | 6.3%  | 7.4%  | 6.8%  |

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## Limited hotspot impact; near-term outlook remains positive

- Hotspot impact remains limited at 5–20ha per incident, with no impact on our coverage estates.
- Strong El Niño and positive IOD may prolong dryness, weighing on FFB yields; younger estates should outperform (TAPG, DSNG).
- Maintain OW; near-term CPO price upside intact, while valuations remain undemanding despite potential FY27F earnings downside.

### CPO companies remain unaffected by the hotspots

Recent hotspot activity highlights elevated fire risk, reaching 6k spots as of Aug26, above 5.1k in 2015 and 3.4k in 2019. We expect hotspot activity to rise further before declining in Nov26 as the rainy season sets in. However, no hotspots have been recorded within the estates of our companies under coverage thus far, with companies implementing preventive measures and closely monitoring ring 1–3 areas. At the national level, the impact remains limited, with reported affected areas in Sumatra, Kalimantan, and Sulawesi generally at only 5–20ha per incident, which remains insignificant relative to Indonesia's ~16mn ha planted area.

### Prolonged dryness may pressure FFB yields, but CPO prices could rise

BMKG reported very strong El Niño at 2.99 and positive IOD at 0.39 in early Aug26, likely prolonging Indonesia's dry conditions. We expect weaker bunch formation to weigh on FFB yields, with the impact likely emerging in late FY27F and potentially offsetting higher CPO prices. Looking back at 2016, following the 2015 El Niño, similar conditions led to a 15–17% decline in sector FFB yields, while CPO prices increased by 21%. As higher CPO prices were insufficient to offset the decline in FFB yields, LSIP and DSNG's earnings declined by c.5–7% yoy in FY16. AALI, however, was an exception, with earnings rose 113% yoy, mainly due to its low base in 2015 (Fig 21-22).

### CPO prices need to exceed MYR5,700–5,900/t to offset yield risks

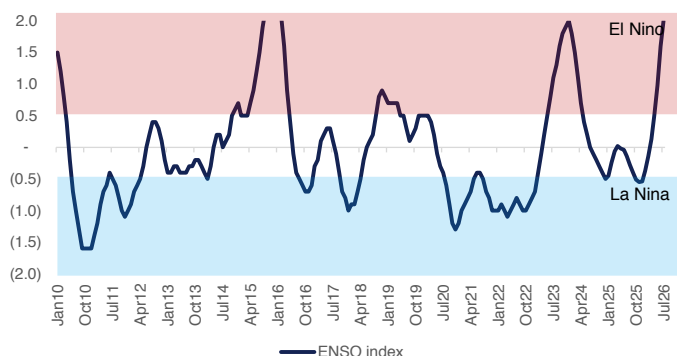
Accordingly, we estimate FY27F CPO prices would need to rise above MYR5,700–5,900/tonne to fully offset the yield impact under a scenario similar to 2016. We view this level as challenging to achieve despite additional demand from B50, given the risk of weaker Indian demand at elevated prices, as India remains highly price-sensitive and could increase substitution toward other vegetable oils, particularly soybean oil, which could benefit from favorable wet conditions in Brazil and Argentina. We see TAPG and DSNG as more resilient than AALI and LSIP, supported by their younger plantation age, which should help mitigate the impact of prolonged dryness.

### Maintain OW; near-term fundamentals remain supportive in 2H26F

We maintain our OW call, as stronger Indian demand and tighter supply following full B50 implementation should support CPO prices into 4Q26F, offering a tactical buying opportunity in 2H26F. However, prolonged dryness could weigh on FY27F FFB yields and offset higher CPO prices, creating earnings downside risks. Our sensitivity analysis shows share prices are more correlated with earnings (72%) than CPO prices (23%). However, at 7.4x FY27F P/E, the sector remains well below FY16's 14x mean P/E, when sector earnings (ex-AALI) declined by 5% yoy. Key risks include severe weather, weaker Indian demand, and regulatory changes.

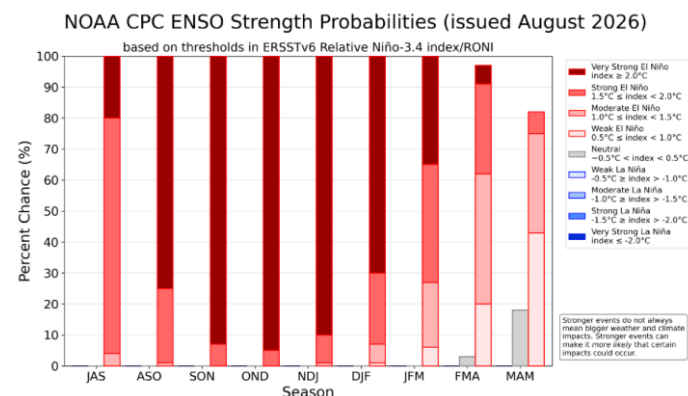
## ENSO and weather update

**Fig. 1: In Jul26. the Nino 3.4 index stood at 2.0, indicating El Nino climate conditions**



Source: NOAA. Indo Premier

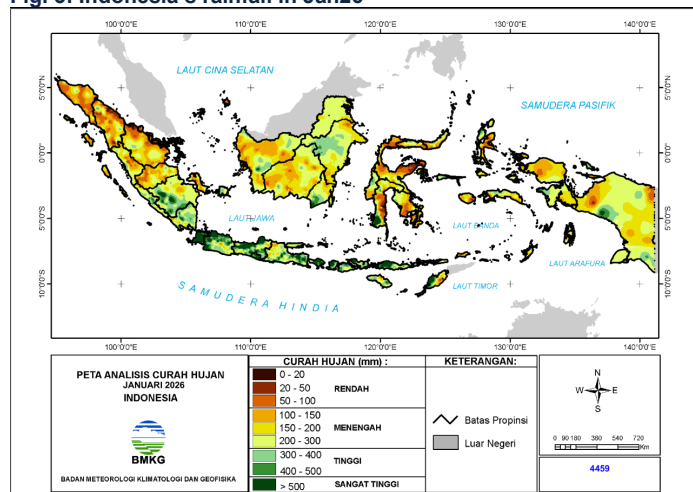
**Fig. 2: 90% chance of very strong El Nino during Oct-Dec 2026; rank among the largest El Nino events since 1950**



Source: NOAA. Indo Premier

\*MJJ. JJA. JAS. ASO. SON. OND. NDJ. DJF. and JFM represent overlapping three-month periods. corresponding to May-Jul. Jun-Aug. Jul-Sep. Aug-Oct. Sep-Nov. Oct-Dec. Nov-Jan. Dec-Feb. and Jan-Mar. respectively.

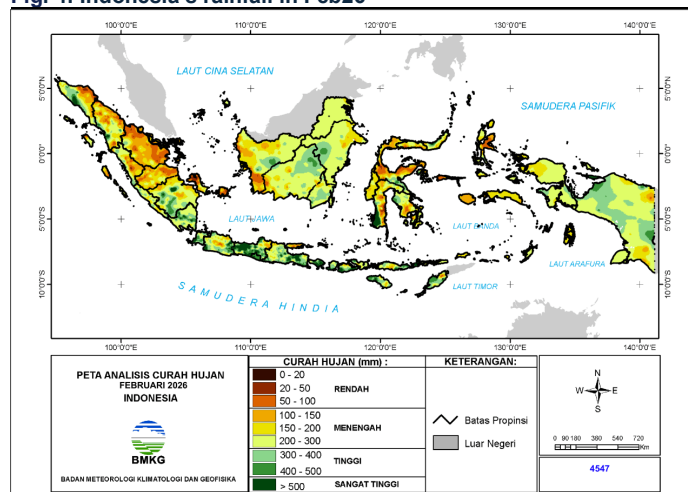
**Fig. 3: Indonesia's rainfall in Jan26**



Source: BMKG. Indo Premier

\*Optimal rainfall threshold for palm plantation ~150-250mm/month

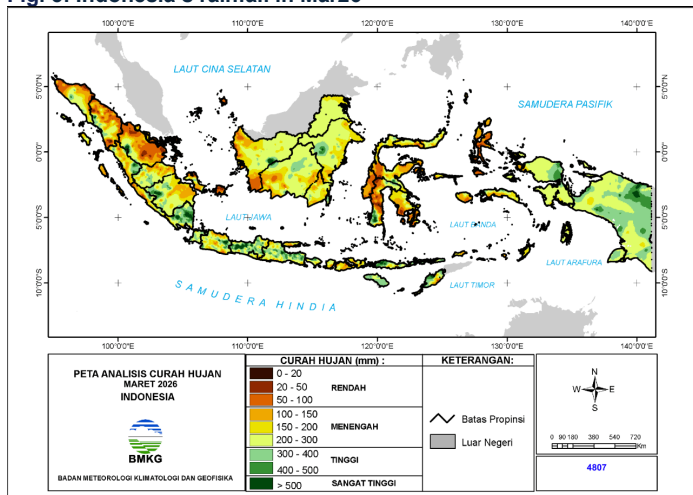
**Fig. 4: Indonesia's rainfall in Feb26**



Source: BMKG. Indo Premier

\*Optimal rainfall threshold for palm plantation ~150-250mm/month

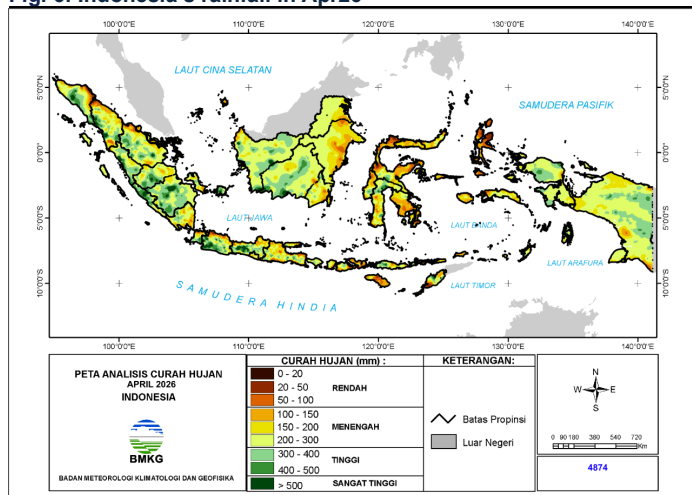
Fig. 5: Indonesia's rainfall in Mar26



Source: BMKG. Indo Premier

\*Optimal rainfall threshold for palm plantation ~150-250mm/month

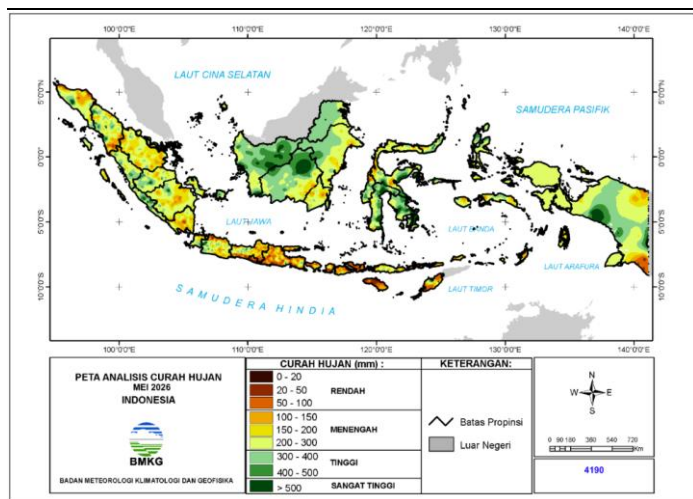
Fig. 6: Indonesia's rainfall in Apr26



Source: BMKG. Indo Premier

\*Optimal rainfall threshold for palm plantation ~150-250mm/month

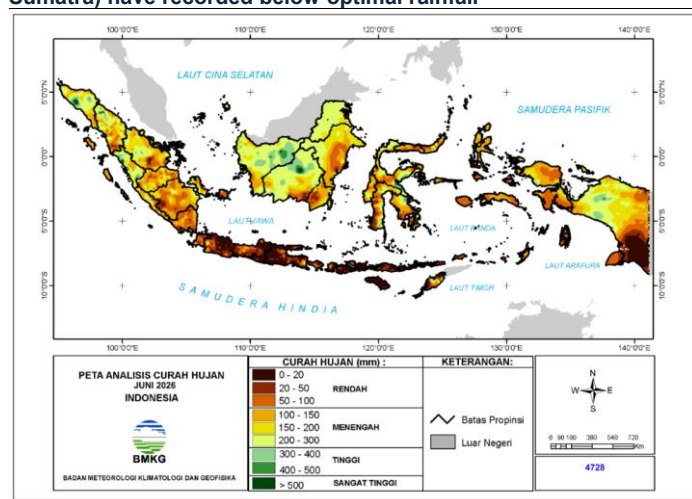
Fig. 7: Indonesia's rainfall in May26



Source: BMKG. Indo Premier

\*Optimal rainfall threshold for palm plantation ~150-250mm/month

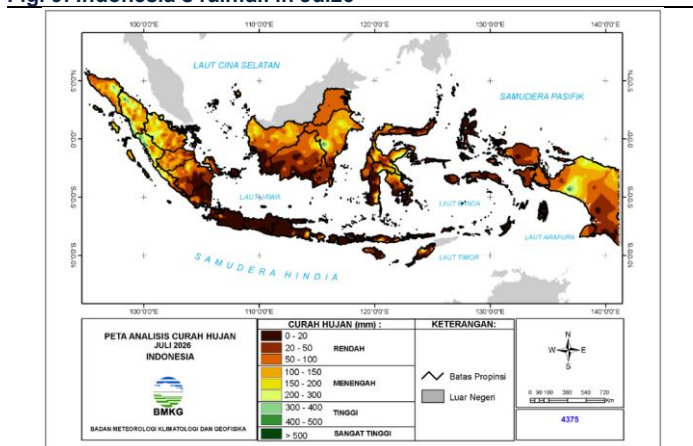
Fig. 8: Indonesia's rainfall in Jun26; Several areas in Kalimantan (East, South, and Central) and Sumatra (Riau, Jambi, and South Sumatra) have recorded below-optimal rainfall



Source: BMKG. Indo Premier

\*Optimal rainfall threshold for palm plantation ~150-250mm/month

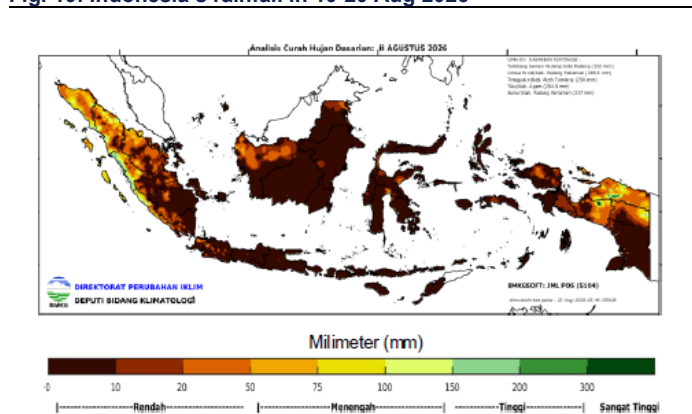
Fig. 9: Indonesia's rainfall in Jul26



Source: BMKG. Indo Premier

\*Optimal rainfall threshold for palm plantation ~150-250mm/month

Fig. 10: Indonesia's rainfall in 10-20 Aug 2026

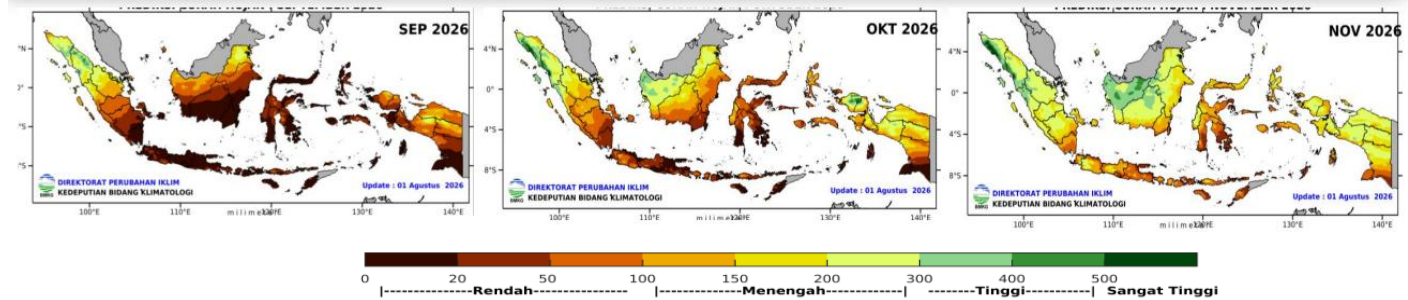


Source: BMKG. Indo Premier

\*Optimal rainfall threshold for palm plantation ~150-250mm/month

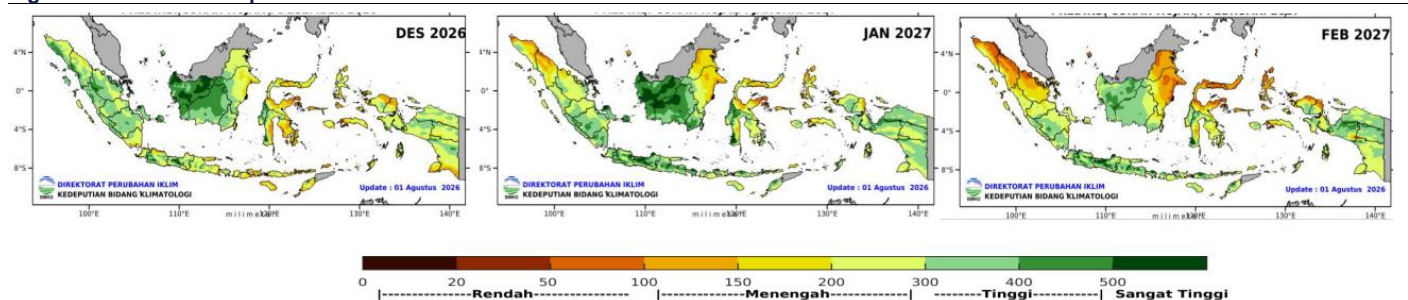
## BMKG: rainfall prediction in Sep26 - Feb27

Fig. 11: BMKG - rainfall prediction in Sep-Nov26



Source: BMKG

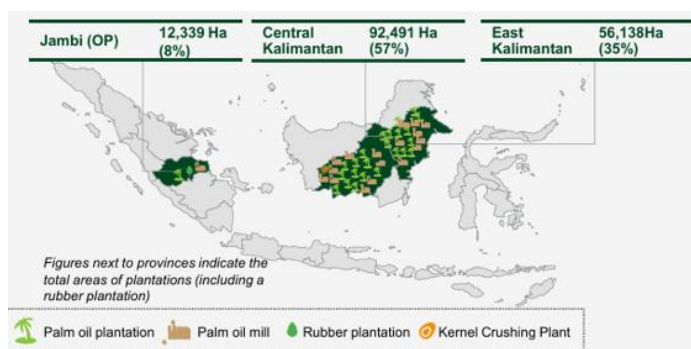
Fig. 12: BMKG - rainfall prediction in Dec26 – Feb27



Source: BMKG

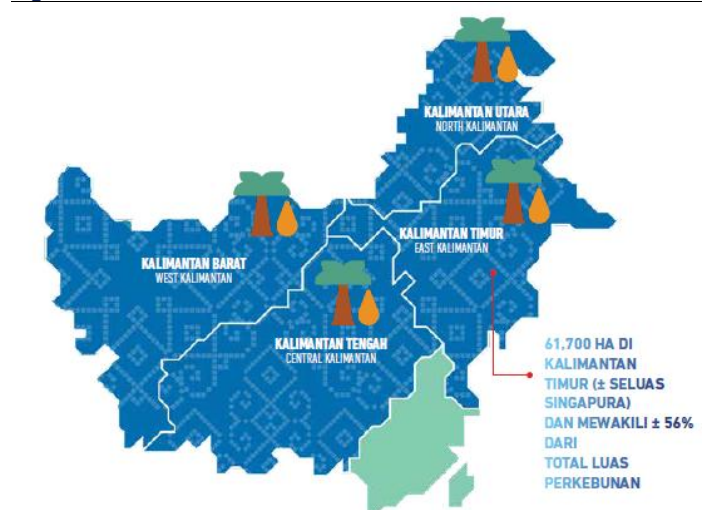
## Companies' estate locations

Fig. 13: TAPG – estate locations



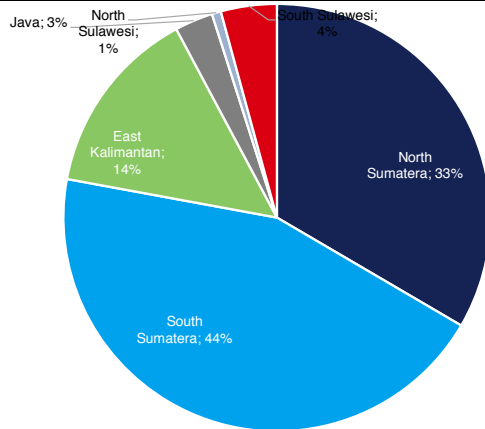
Source: Company

Fig. 14: DSNG – estate locations



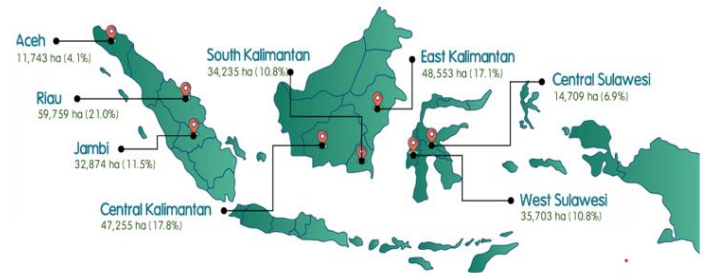
Source: Company

Fig. 15: LSIP – estate locations



Source: Company

Fig. 16: AALI – estate locations



Source: Company

Fig. 17: Company's area which relatively better rainfall in Jul-Oct26

| Companies with better rainfall outlook in Jul–Oct26 | % of total area | Remarks                              |
|-----------------------------------------------------|-----------------|--------------------------------------|
| AALI                                                | 37              | Aceh, Riau, Jambi                    |
| LSIP                                                | 33              | North Sumatera                       |
| TAPG                                                | 8               | Jambi only                           |
| DSNG                                                | 17              | North Kalimantan and West Kalimantan |

Source: Indo Premier

## FFB yield impact to our coverage in 2015-17

Fig. 18: FFB yield and average age in FY15-17

| FFB yield (t/ha)               | 2015        | 2016        | 2017        | Yoy 2016    | Yoy 2017  |
|--------------------------------|-------------|-------------|-------------|-------------|-----------|
| <b>AALI</b>                    | <b>21.7</b> | <b>18.3</b> | <b>19.2</b> | <b>-15%</b> | <b>5%</b> |
| Nucleus                        | 21.3        | 18.4        | 19.1        | -14%        | 4%        |
| Plasma                         | 22.7        | 18.2        | 19.5        | -20%        | 7%        |
| <b>LSIP</b>                    |             |             |             |             |           |
| Nucleus                        | 17.8        | 14.7        | 14.9        | -17%        | 1%        |
| Plasma                         | N/A         | N/A         | N/A         | N/A         | N/A       |
| <b>DSNG</b>                    |             |             |             |             |           |
| Nucleus                        | 26.2        | 17.4        | 22.8        | -34%        | 31%       |
| Plasma                         | 22.6        | 13.0        | N/A         | -42%        | N/A       |
| <b>Sector (simple average)</b> |             |             |             |             |           |
| Nucleus                        | 21.8        | 16.8        | 18.9        | -23%        | 13%       |
| Plasma                         | 22.7        | 15.6        | 19.5        | -31%        | 25%       |

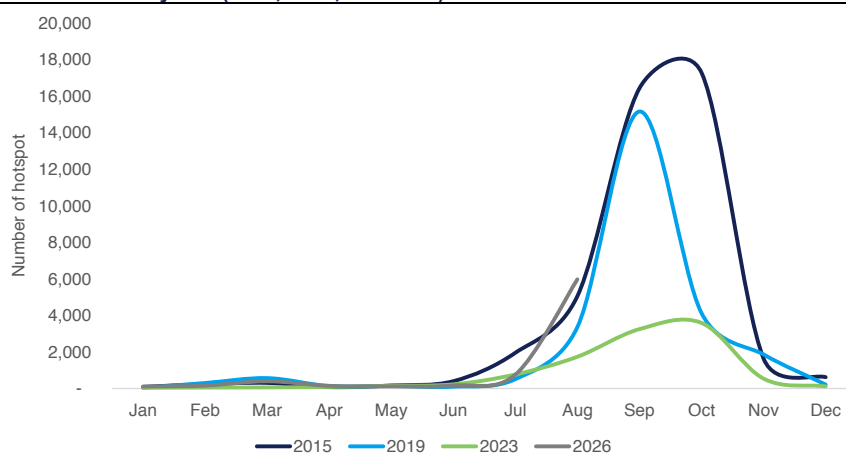
  

| Average age | 2015 | 2016 | 2017 | 2025 |
|-------------|------|------|------|------|
| AALI        | 14.7 | 14.1 | 15.2 | 16.7 |
| LSIP        | 13.0 | 14.0 | 15.0 | 21.0 |
| DSNG        | 7.5  | 7.6  | 8.6  | 15.0 |
| TAPG        | N/A  | N/A  | N/A  | 14.6 |

Source: Company, Indo Premier

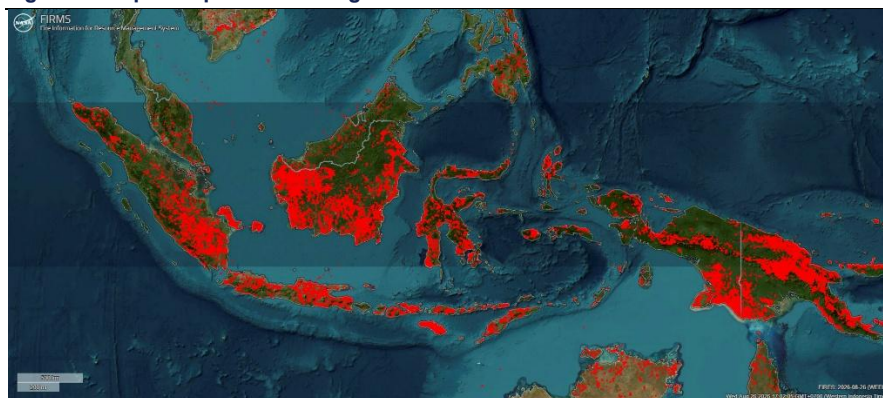
## Number of hotspots during El Nino years

**Fig. 19: Number of hotspots recorded in 1–26 Aug26 already exceeded those in previous El Niño years (2015, 2019, and 2023)**



Source: Sipongi, Indo Premier

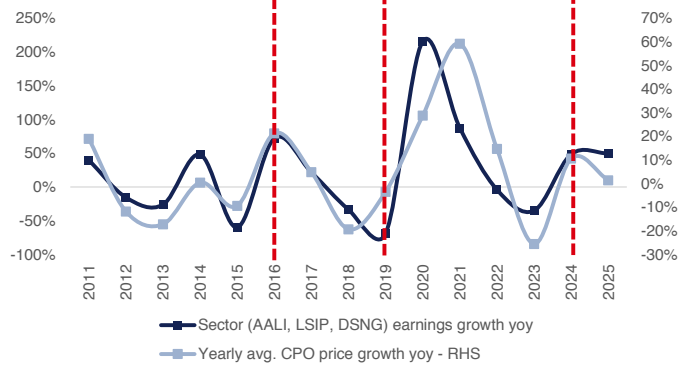
**Fig. 20: Hotspot maps in 20-26 Aug 2025**



Source: Firms (Fire Information for Resource Management System)

## Higher CPO prices could not offset the yield decline in FY16, resulting in lower earnings

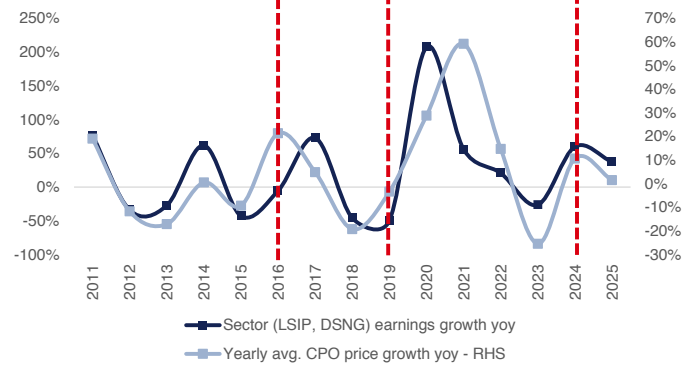
**Fig. 21: In FY16, aggregate earnings still increased, mainly due to AALI's strong growth from a low base in 2015**



Source: Company. Indo Premier

\*1-year post-El Niño earnings and CPO prices are highlighted in red line

**Fig. 22: However, excluding AALI, sector earnings declined in FY16**



Source: Company. Indo Premier

\*We exclude AALI, as its earnings growth in 2016 was largely driven by the low base in 2015.

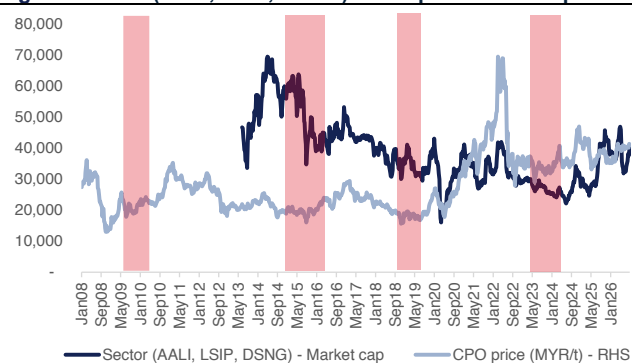
## Share price vs. CPO price

**Fig. 23: Correlation between share price and CPO prices in 2008–25**

| AALI | LSIP | DSNG | TAPG | Sector (AALI, LSIP, DSNG) | Sector (AALI, LSIP, DSNG, TAPG) |
|------|------|------|------|---------------------------|---------------------------------|
| -40% | -10% | 44%  | 1%   | -37%                      | 23%                             |

Source: Indo Premier

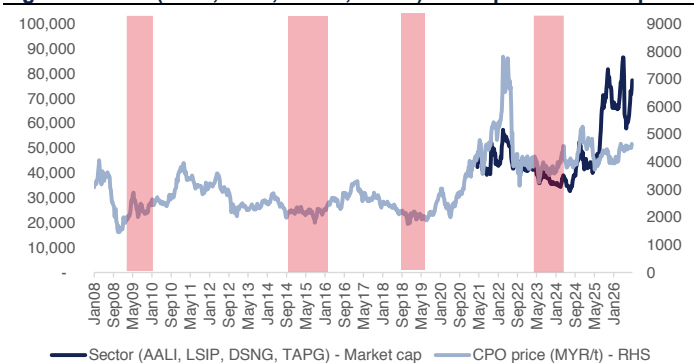
**Fig. 24: Sector (AALI, LSIP, DSNG) share price vs. CPO price**



Source: Company. Bloomberg, Indo Premier

\*El Niño events are highlighted in red

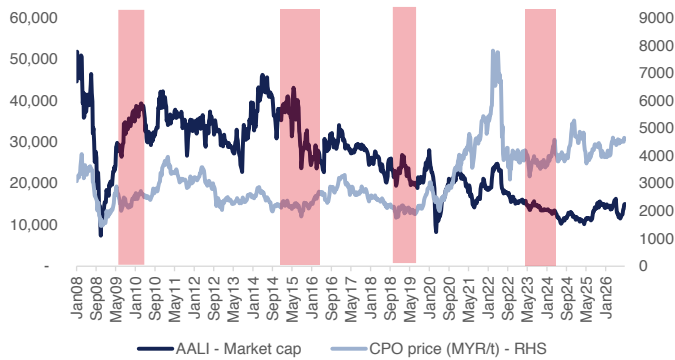
**Fig. 25: Sector (AALI, LSIP, DSNG, TAPG) share price vs. CPO price**



Source: Company. Bloomberg, Indo Premier

\*El Niño events are highlighted in red

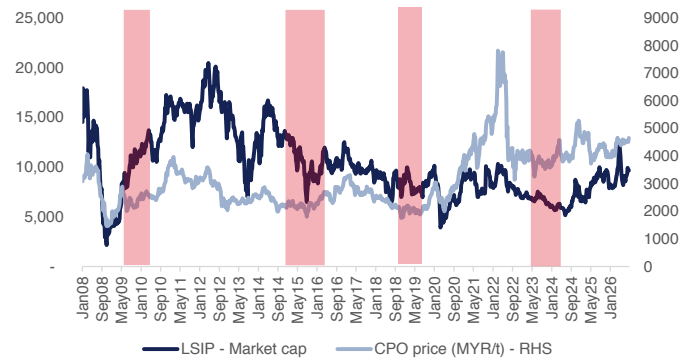
Fig. 26: AALI share price vs. CPO price



Source: Company, Bloomberg, Indo Premier

\*El Niño events are highlighted in red

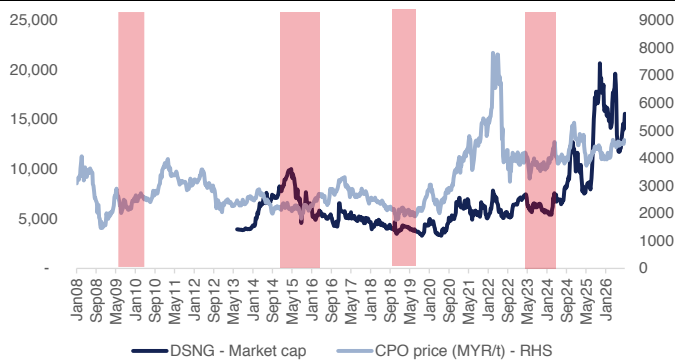
Fig. 27: LSIP share price vs. CPO price



Source: Company, Bloomberg, Indo Premier

\*El Niño events are highlighted in red

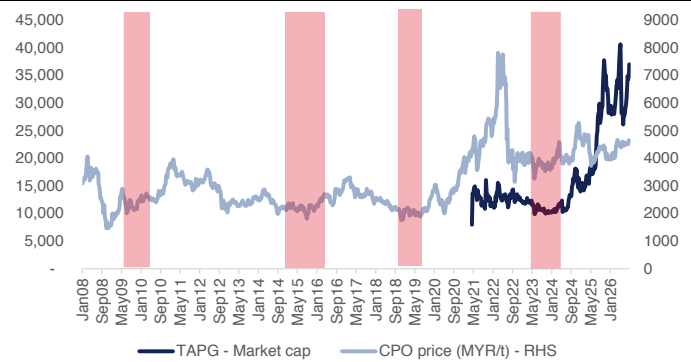
Fig. 28: DSNG share price vs. CPO price



Source: Company, Bloomberg, Indo Premier

\*El Niño events are highlighted in red

Fig. 29: TAPG share price vs. CPO price



Source: Company, Bloomberg, Indo Premier

\*El Niño events are highlighted in red

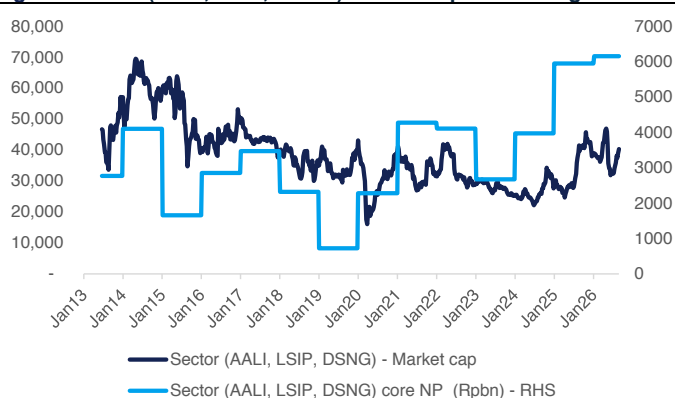
## Market cap vs. earnings

Fig. 30: Correlation between market cap and earnings in 2008–25

| AALI | LSIP | DSNG | TAPG | Sector (AALI, LSIP, DSNG) | Sector (AALI, LSIP, DSNG, TAPG) |
|------|------|------|------|---------------------------|---------------------------------|
| 33%  | 11%  | 77%  | 74%  | -6%                       | 72%                             |

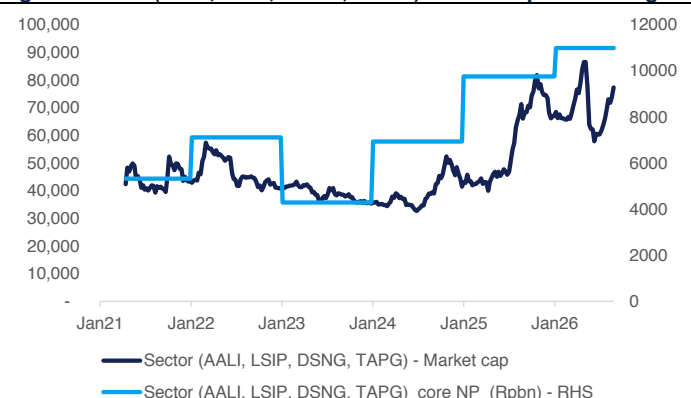
Source: Indo Premier

Fig. 31: Sector (AALI, LSIP, DSNG) market cap vs. earnings



Source: Company, Bloomberg, Indo Premier

Fig. 32: Sector (AALI, LSIP, DSNG, TAPG) market cap vs. earnings



Source: Company, Bloomberg, Indo Premier

**Fig. 33: AALI market cap vs. earnings**



Source: Company, Bloomberg, Indo Premier

**Fig. 34: LSIP market cap vs. earnings**



Source: Company, Bloomberg, Indo Premier

**Fig. 35: DSNG market cap vs. earnings**



Source: Company, Bloomberg, Indo Premier

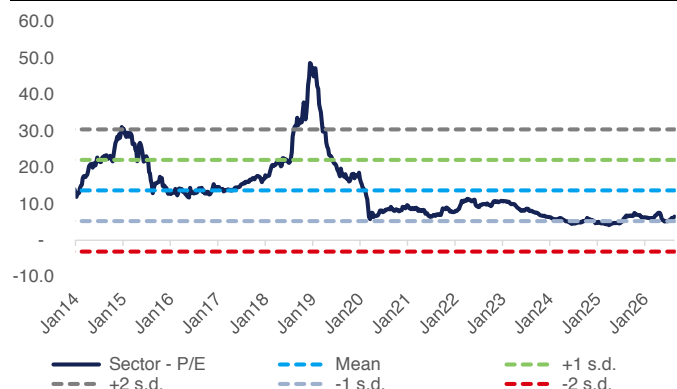
**Fig. 36: TAPG market cap vs. earnings**



Source: Company, Bloomberg, Indo Premier

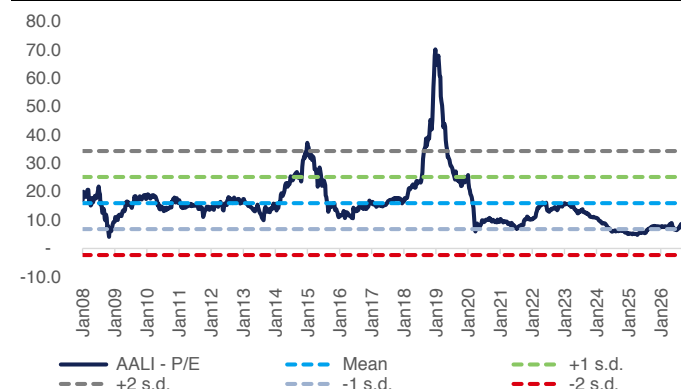
## Valuation

Fig. 37: Sector (ex. TAPG) LT P/E



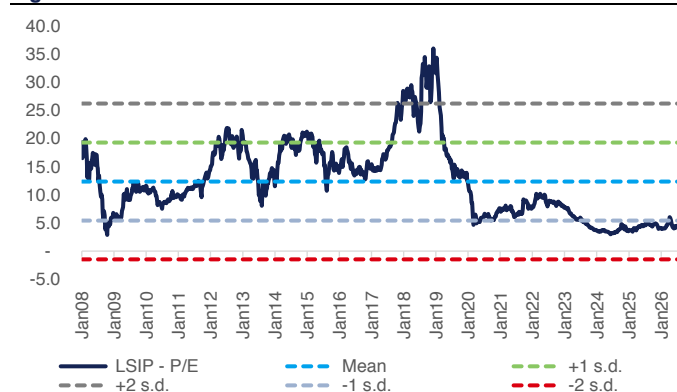
Source: Bloomberg. Indo Premier

Fig. 38: AALI LT P/E



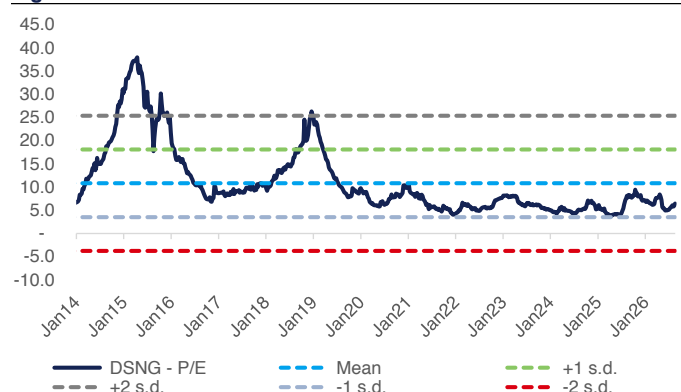
Source: Bloomberg. Indo Premier

Fig. 39: LSIP LT P/E



Source: Bloomberg. Indo Premier

Fig. 40: DSNG LT P/E



Source: Bloomberg. 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.

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