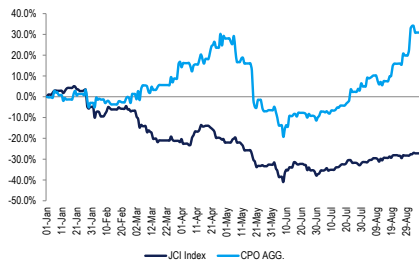


Sector Index Performance

	3M	6M	12M
Absolute	54.8	28.4	30.6
Relative to JCI	36.2	40.9	46.3



Summary Valuation Metrics

P/E (x)	2026F	2027F	2028F
DSNG IJ	7.8	7.0	6.4
TAPG IJ	9.3	8.9	8.8
LSIP IJ	6.3	6.0	5.8
AALI IJ	8.1	9.5	9.3

EV/EBITDA (x)

	2026F	2027F	2028F
DSNG IJ	4.7	4.0	3.3
TAPG IJ	6.7	6.1	5.9
LSIP IJ	1.5	1.2	0.9
AALI IJ	3.2	3.3	3.0

Div. Yield

	2026F	2027F	2028F
DSNG IJ	2.9%	4.5%	5.7%
TAPG IJ	8.3%	9.8%	10.2%
LSIP IJ	5.7%	6.1%	5.8%
AALI IJ	5.8%	6.9%	6.3%

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Crude oil rally is positive for CPO price outlook; maintain tactical OW

- We believe the recent oil price rally could drive CPO price upside.
- Higher CPO prices shall support earnings by lowering government subsidy requirements while keeping export levies unchanged.
- Maintain tactical OW for 2H26F; lower 2H27F yields may pressure earnings, but could be partly cushioned by elevated oil prices.

Rising crude oil prices could drive further upside to CPO prices

The recent escalation in the US–Iran conflict has pushed crude oil prices up c.6% since 30 Aug26, while CPO prices have yet to fully reflect such increase (flat). We see room for CPO price to catch up if crude oil prices remain elevated, as higher fossil fuel prices improve the attractiveness of CPO as a biodiesel feedstock. We also see a stronger correlation between crude oil and CPO prices YTD, which we attribute to the growing role of CPO as an energy commodity, rather than solely a food commodity, particularly following the Indonesian government's plan to implement the B50 program in Apr26. Our analysis of 2026 data also show that CPO prices typically respond to crude oil price movement with a lag, with the magnitude of the move at around half of crude oil. We therefore view the recent oil-price rally as an additional upside catalyst for CPO price.

Higher crude oil prices improve biodiesel economics

We view the higher crude oil prices will improve the economics of Indonesia's biodiesel programme by reducing the subsidy burden. Most biodiesel consumption in Indonesia is still supported by BPDP (Palm Oil Plantation Fund Management Agency) with funding sourced primarily from CPO export levies. Biodiesel prices are largely derived from CPO prices and generally higher than fossil diesel prices, which are linked to crude oil, the government covers the price gap between the two. Hence, if crude oil prices rise faster than CPO prices (as seen in 2026), the price gap and subsidy requirement will narrow. We estimate that every US\$5/bbl increase in crude oil prices could reduce the subsidy burden by Rp5tr. Overall, we view the current oil-price rally as positive for plantation companies, as the lower subsidy burden reduces the near-term need for higher export levies, allowing producers to capture more of the CPO price upside. (see more on page 3)

Higher CPO price could drive earnings upside

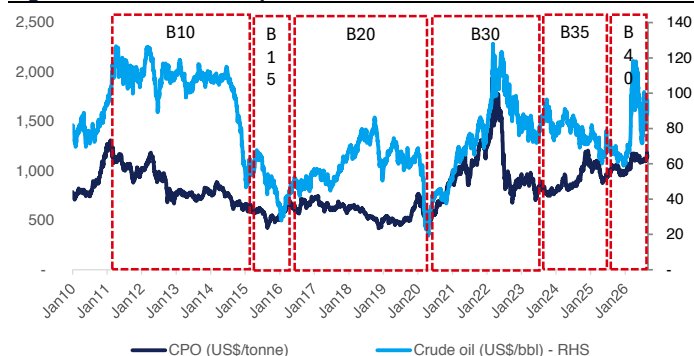
QTD-3Q26, CPO prices averaged MYR4,548/t, in line with our estimate, implying potential 15% hoh growth in 2H26F core NP if prices sustain at current levels. This would already put our estimates at 115% of consensus. Every MYR100/t increase in average CPO prices in 3Q-4Q26 could lift our 2H26F earnings estimate by 1.2%, providing further upside to our estimates.

Maintain tactical OW; DSNG as our preferred pick

We maintain our tactical OW call on higher CPO price and 2H26F earnings upside, with DSNG as our preferred name given its laggard performance and largest TP upside; TAPG, LSIP, and AALI have reached our TPs. We remain mindful of potential 2H27F yield pressure from the lagged impact of current dryness, not yet reflected in our FY27F estimates. However, elevated crude oil prices could cushion the impact, but we view this as a later-cycle consideration. Key risks include geopolitical issue, regulatory changes, weaker demand, and adverse weather.

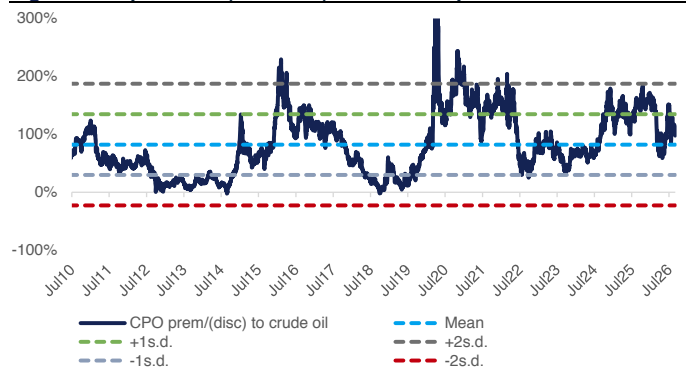
CPO-oil price correlation: significant increase in YTD26

Fig. 1: CPO vs. crude oil prices



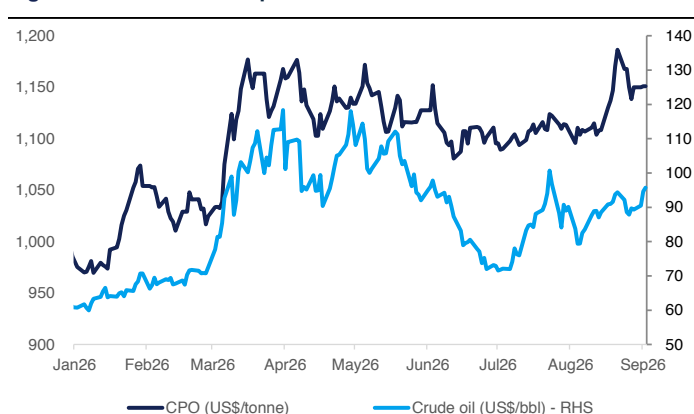
Source: Bloomberg. Indo Premier

Fig. 2: CPO premium/(discount) to crude oil prices



Source: Bloomberg. Indo Premier

Fig. 3: CPO vs. crude oil prices in 2026



Source: Bloomberg. Indo Premier

Fig. 4: CPO–crude oil correlation strengthened YTD26, on CPO's growing role as an energy commodity amid B50 implementation

Correlation between CPO and crude oil prices	
Correlation between CPO and crude oil since Jan2010	53%
Correlation between CPO and crude oil 2010-2025	53%
Correlation between CPO and crude oil 2026	83%

Source: Bloomberg. Indo Premier

The relationships between biodiesel programme, subsidy mechanism, and crude oil price in Indonesia

Indonesia has implemented its mandatory biodiesel programme since 2014, gradually increasing the blending rate from B10 to B40 in 2025. The government has now raised the mandate to B50, which started on 1 Jul26 and is targeted to be fully implemented by 1st Oct26. B50 requires 50% palm-oil-based biodiesel to be blended with 50% fossil diesel, further increasing domestic CPO absorption.

As biodiesel is generally more expensive than fossil diesel, BPDP (Palm Oil Plantation Fund Management Agency) provides an incentive to biodiesel producers to cover the price gap between biodiesel and fossil diesel. The mechanism is straightforward: BPDP pays the difference between the HIP Biodiesel and HIP Solar, with the incentive requirement determined by the size of the price gap and biodiesel subsidized volume.

Hence, higher crude oil price will narrow the gap and reducing the incentive burden; vice versa, the higher CPO prices increase biodiesel costs and widen the gap.

Fig. 5: Biodiesel subsidy formula

Biodiesel subsidy per litre = HIP Biodiesel - HIP Diesel	
HIP Biodiesel	= (Average CPO KPB + US\$85/tonne) x 870 kg/m ³ + Delivery costs
HIP Diesel	= 100% HIP gas oil + Rp868/l
*HIP = Index price as periodically determined by Indonesia's Ministry of Energy and Mineral Resources (ESDM)	

Source: MoEMR, Indo Premier

The incentive is funded through the palm-oil fund, which is mainly supported by CPO export levies, which currently at 12.5% for CPO and CPKO exports and 10% for refined product including RBD palm olein and RBDPO.

Higher export levies reduce Indonesian CPO netbacks, as international buyers can switch to Malaysian CPO if Indonesian CPO becomes less competitive. Hence, the levy is effectively borne partly by Indonesian producers through a wider discount to Malaysia CPO prices, rather than being fully passed on to buyers.

Every US\$5/bbl increase in crude oil prices could reduce the subsidy burden by Rp5tr

Fig. 6: We estimate for every US\$5/bbl increase in crude oil prices could reduce the subsidy burden by Rp5tr

Key assumptions - 1H26 B40 and 2H26 B50															
USD IDR (Rp/US\$)									17.5						
Total biodiesel usage (mn KL)									17.6						
Total subsidized biodiesel (mn KL)									8.4						
% subsidized									48% Assuming no change in subsidized fuel recipients						
Subsidy per litre (Rp/l)		CPO (US\$/tonne) - Indonesia reference price ; US\$1,008/t as of Sep26													
		800	825	850	875	900	925	950	975	1,000	1,025	1,050	1,075	1,100	
Brent crude (US\$/bbl)	60	6,002	6,383	6,764	7,144	7,525	7,905	8,286	8,667	9,047	9,428	9,809	10,189	10,570	
	65	5,452	5,833	6,213	6,594	6,975	7,355	7,736	8,116	8,497	8,878	9,258	9,639	10,020	
	70	4,902	5,282	5,663	6,044	6,424	6,805	7,185	7,566	7,947	8,327	8,708	9,089	9,469	
	75	4,351	4,732	5,113	5,493	5,874	6,255	6,635	7,016	7,396	7,777	8,158	8,538	8,919	
	80	3,801	4,182	4,562	4,943	5,324	5,704	6,085	6,465	6,846	7,227	7,607	7,988	8,369	
	85	3,251	3,631	4,012	4,393	4,773	5,154	5,535	5,915	6,296	6,676	7,057	7,438	7,818	
	90	2,700	3,081	3,462	3,842	4,223	4,604	4,984	5,365	5,745	6,126	6,507	6,887	7,268	
	95	2,150	2,531	2,911	3,292	3,673	4,053	4,434	4,815	5,195	5,576	5,956	6,337	6,718	
	100	1,600	1,980	2,361	2,742	3,122	3,503	3,884	4,264	4,645	5,025	5,406	5,787	6,167	
	105	1,050	1,430	1,811	2,191	2,572	2,953	3,333	3,714	4,095	4,475	4,856	5,236	5,617	
Brent crude (US\$/bbl)	110	499	880	1,260	1,641	2,022	2,402	2,783	3,164	3,544	3,925	4,305	4,686	5,067	
	115	- 51	330	710	1,091	1,471	1,852	2,233	2,613	2,994	3,375	3,755	4,136	4,516	
	120	- 601	- 221	160	540	921	1,302	1,682	2,063	2,444	2,824	3,205	3,585	3,966	
	Amount of subsidy needed (Rp/ptr)		CPO (US\$/tonne) - Indonesia reference price ; US\$1,008/t as of Sep26												
			800	825	850	875	900	925	950	975	1,000	1,025	1,050	1,075	1,100
	Brent crude (US\$/bbl)	60	50	53	57	60	63	66	69	73	76	79	82	85	89
		65	46	49	52	55	58	62	65	68	71	74	78	81	84
70		41	44	47	51	54	57	60	63	67	70	73	76	79	
75		36	40	43	46	49	52	56	59	62	65	68	72	75	
80		32	35	38	41	45	48	51	54	57	61	64	67	70	
85		27	30	34	37	40	43	46	50	53	56	59	62	66	
90		23	26	29	32	35	39	42	45	48	51	55	58	61	
95		18	21	24	28	31	34	37	40	44	47	50	53	56	
100		13	17	20	23	26	29	33	36	39	42	45	48	52	
105		9	12	15	18	22	25	28	31	34	37	41	44	47	
Brent crude (US\$/bbl)	110	4	7	11	14	17	20	23	27	30	33	36	39	42	
	115	- 0	3	6	9	12	16	19	22	25	28	31	35	38	
	120	- 5	- 2	1	5	8	11	14	17	20	24	27	30	33	

Source: Indo Premier

Sensitivity for every MYR100/t increase in CPO prices in 3Q and 4Q26F

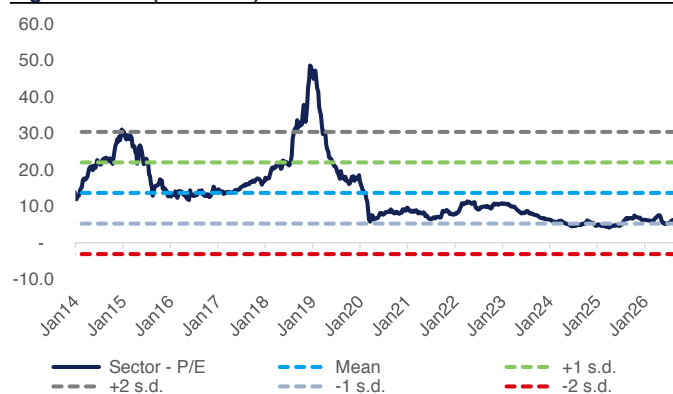
Fig. 7: Correlation between CPO and crude oil prices

	Current estimates	Sensitivity if 3Q and 4Q26F average increase by MYR100/t		Sensitivity Growth yoy	
	FY26F	FY26F	FY26F	FY26F	
DSNG					
Revenue	13,673	13,754	1%	12%	
EBITDA	4,172	4,182	0%	10%	
Net income attributable	2,259	2,266	0%	23%	
Core NP	2,241	2,248	0%	20%	
TAPG					
Revenue	13,005	13,132	1%	15%	
EBITDA	5,360	5,456	2%	24%	
Net income attributable	4,653	4,720	1%	27%	
Core NP	4,754	4,821	1%	26%	
LSIP					
Revenue	6,070	6,140	1%	11%	
EBITDA	2,268	2,296	1%	-1%	
Net income attributable	1,991	2,015	1%	7%	
Core NP	1,831	1,855	1%	0%	
AALI					
Revenue	31,527	31,838	1%	11%	
EBITDA	4,094	4,135	1%	7%	
Net income attributable	1,944	1,973	2%	34%	
Core NP	2,036	2,065	1%	-7%	
Aggregate					
Revenue	64,274	64,863	1%	12%	
EBITDA	15,894	16,070	1%	12%	
Net income attributable	10,847	10,973	1%	23%	
Core NP	10,862	10,988	1%	13%	

Source: Indo Premier

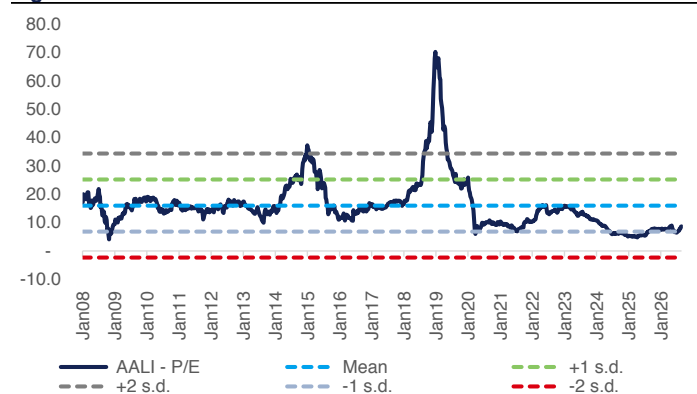
Valuation

Fig. 8: Sector (ex. TAPG) LT P/E



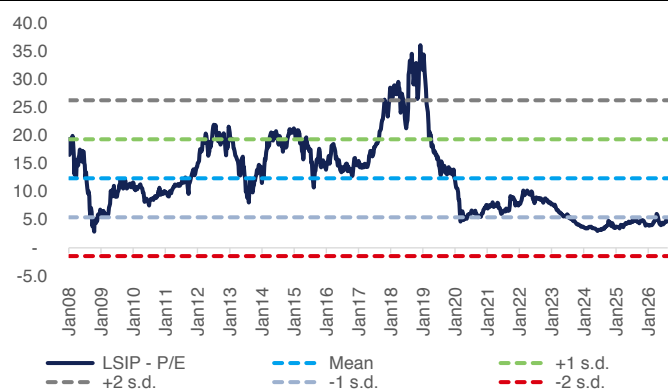
Source: Bloomberg. Indo Premier

Fig. 9: AALI LT P/E



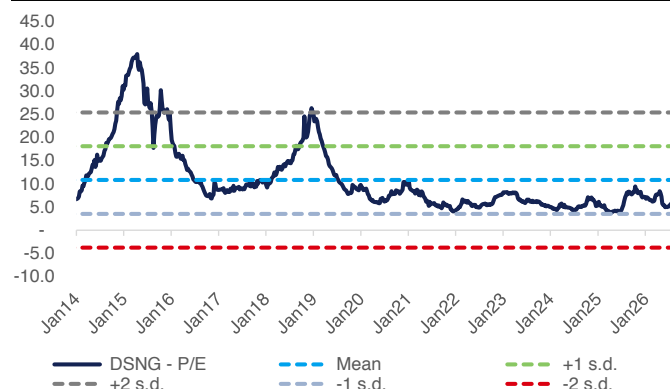
Source: Bloomberg. Indo Premier

Fig. 10: LSIP LT P/E



Source: Bloomberg. Indo Premier

Fig. 11: 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

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