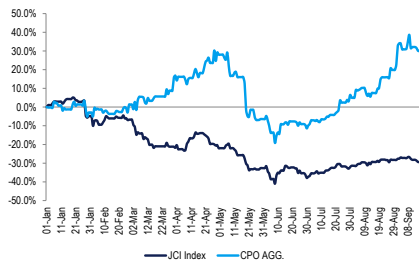


Sector Index Performance

	3M	6M	12M
Absolute	40.9	23.1	21.8
Relative to JCI	36.9	30.5	40.0



Summary Valuation Metrics

P/E (x)	2026F	2027F	2028F
DSNG IJ	7.5	6.8	6.2
TAPG IJ	9.2	8.8	8.7
LSIP IJ	6.4	6.1	5.9
AALI IJ	8.2	9.6	9.3

EV/EBITDA (x)

	2026F	2027F	2028F
DSNG IJ	4.6	3.9	3.2
TAPG IJ	6.6	6.0	5.8
LSIP IJ	1.5	1.3	1.0
AALI IJ	3.3	3.3	3.0

Div. Yield

	2026F	2027F	2028F
DSNG IJ	2.9%	4.7%	5.9%
TAPG IJ	8.4%	9.8%	10.3%
LSIP IJ	5.7%	6.0%	5.7%
AALI IJ	5.8%	6.8%	6.3%

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ST catalyst in sight with risk is drop in yield in FY27F; maintain tactical OW

- We expect 2H26F earnings to beat consensus on higher CPO prices, with resilient yields and limited levy pressure supporting the upside.
- However, we see FY27F earnings downside as drop in yield may outweigh the increase in price.
- We maintain tactical OW on 2H26F earnings recovery, while FY27F yield decline is a key downside risk. Our top picks are: DSNG and TAPG.

Attractive near-term outlook with strong 2H26F earnings outlook

We expect the near-term sector outlook to remain supportive, with 2H26F earnings are likely to beat consensus on higher CPO prices and resilient operation. CPO prices should trend higher on B50 implementation and stronger Indian's festive demand, with elevated crude oil prices providing further upside. YTD, CPO prices have moved by around half the magnitude of crude oil prices with a c.4–7-day lag. Meanwhile, El Niño and wildfire impact on operational remain limited (see our report on [crude oil](#) and [El Nino](#)). Levy risk remains manageable under B50, as 1H26 levy revenue of Rp21tr exceeded Rp17tr in subsidy payments, keeping BPDP funding positive and limiting near-term levy hike risk.

FY27F: price needs to double to offset the drop in yield

We see downside risk to sector earnings in FY27F as weaker yields could outweigh higher CPO prices. If El Niño-driven dryness persists through Oct-26, we estimate FY27F palm yields could decline by 15–17% yoy (vs. our current est. of -1% to -5% yoy), similar to 2016. On a more positive note, we see limited levy risk in FY27F, as the BPDP fund could remain in surplus until end-2026, as crude oil prices are expected to stay elevated. We run a sensitivity on our base-case estimates: every 10% yoy yield decline would need to be offset by a 20% yoy increase in average CPO prices (MYR5.4k/t). We also see that, in the year after El Niño, the discount of CPO prices to soy oil narrowed, averaging 4–11%. Thus, based on this, CPO prices could reach a maximum of MYR5.5–5.9k/t (22–32% yoy), assuming soy oil prices increase by 6% yoy in FY27F, in-line with consensus, which may not be sufficient to offset yield decline. Overall, unless CPO prices increase by twice the magnitude of the yield decline, earnings could still decline yoy.

B60 offers upside potential in 2H27F, but implementation remains challenging

The government plans to implement B60 in FY27F, potentially reducing seaborne CPO supply by 10–13%. If implemented in 2H27F, B60 could support CPO prices and push CPO to a premium over soybean oil, as seen in 2H24. (Fig 23) CPO prices have historically risen 11–29% yoy during periods of higher biodiesel blending and El Niño. However, limited HVO capacity, high costs, and feedstock availability are the key challenges, so we exclude B60 from our base case for now. (Pgs 10-13)

Maintain tactical OW

We maintain our tactical OW call on the plantation sector, supported by a 2H26F earnings recovery on higher CPO prices. DSNG is our top pick, given its strong operational outlook and attractive valuation. Going into 2027F, we see lower yields as the key downside risk, which is not yet fully reflected in consensus earnings. Key risks: geopolitical tensions, and regulatory changes.

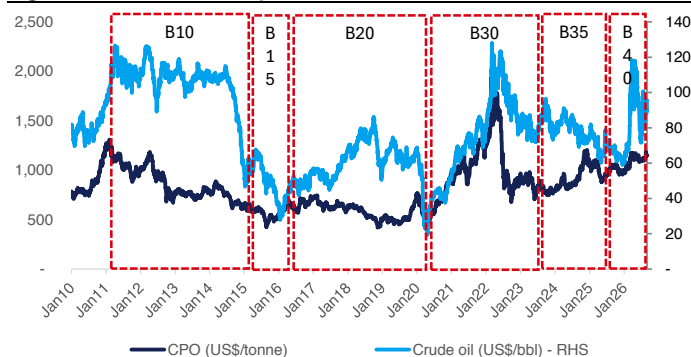
CPO prices have room to catch up with crude oil prices

We observe that the correlation between CPO and crude oil prices has strengthened to 83% in 2026, versus 53% in 2010–25. We believe this reflects CPO's growing role as an energy feedstock, rather than solely as a vegetable oil, amid higher biodiesel blending in Indonesia (B50) and Malaysia (B15). Both countries also plan to further increase blending, with Indonesia targeting B60 and Malaysia targeting B30, which should further strengthen the link between CPO and energy prices going onwards. In 2026, CPO prices have typically followed crude oil prices with a 4–7 days lag, capturing around half of the magnitude of crude oil price movements.

This relationship is particularly relevant following the recent escalation in the US–Iran conflict on 30 Aug-26. Since then, crude oil prices have risen 20% to US\$108/bbl, while CPO prices flat, suggesting that CPO has yet to fully reflect the recent oil price rally. Given the historical lag and magnitude of the relationship, we see room for CPO prices to catch up with the recent increase in crude oil prices.

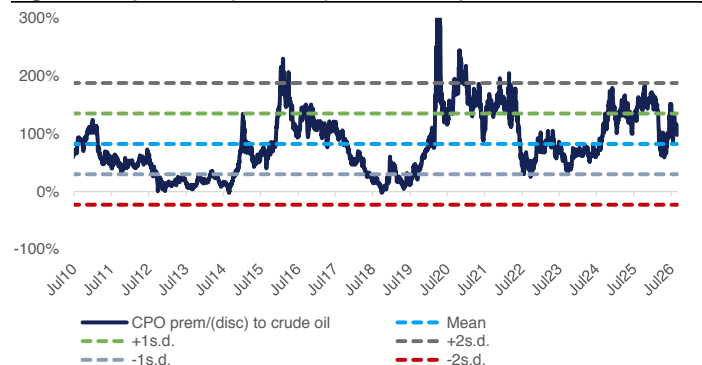
Higher crude oil prices also improve biodiesel economics. Biodiesel prices are largely derived from CPO prices, while fossil diesel prices are linked to crude oil. As crude oil prices rise faster than CPO prices, the price gap between biodiesel and fossil diesel narrows, reducing the government's subsidy requirement. We estimate that every US\$5/bbl increase in crude oil prices could reduce the subsidy burden by c.Rp5tr under the B50 programme.

Fig. 1: CPO vs. crude oil prices



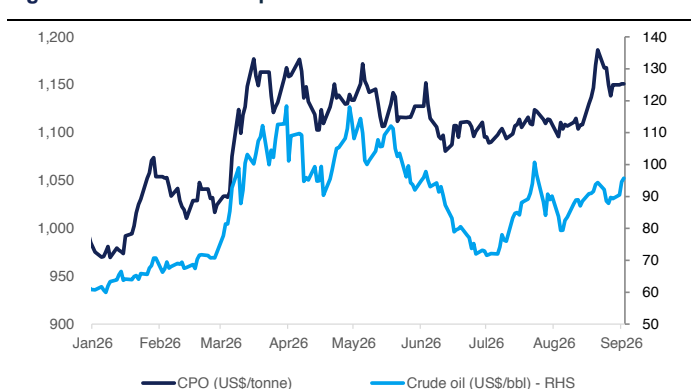
Source: Bloomberg, Indo Premier

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%

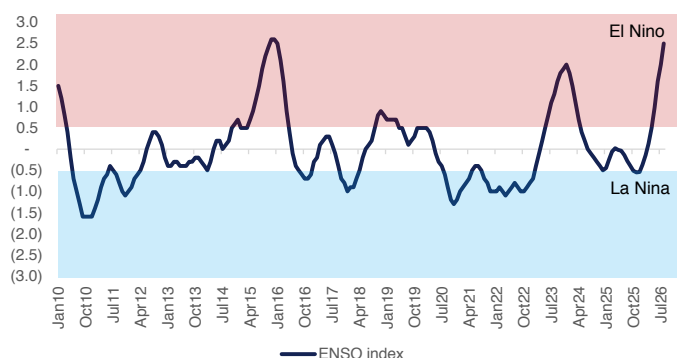
Source: Bloomberg, Indo Premier

Emerging risks on FY27F from the potential palm yields decline

Weather patterns, as measured by the ENSO (El Niño–Southern Oscillation) index, have significant implications for global plantation commodities, as deviations in rainfall during El Niño or La Niña events can affect supply with a 9–18-month lag. This is particularly relevant for palm oil and soybean oil, which are partially substitutable and account for key shares of global vegetable oil supply.

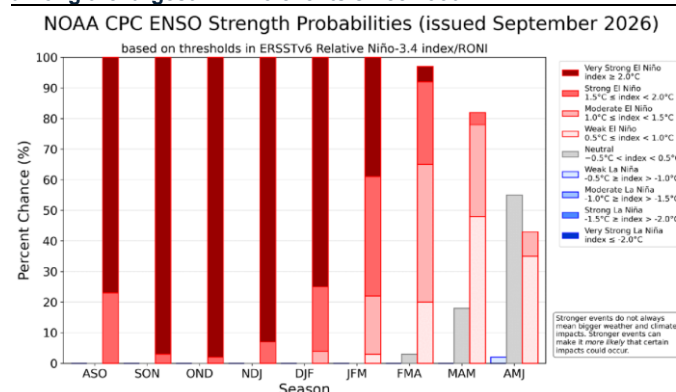
Following the strong El Niño and positive IOD (Indian Ocean Dipole) in 2H26F, we expect prolonged dry conditions across Indonesia and Malaysia, which together account for >80% of global palm oil supply. The resulting water stress could weaken fruit formation and subsequently lower FFB yields, with the impact typically emerging after a 9-18-month lag.

Fig. 5: In Aug26, the Nino 3.4 index stood at 2.5, indicating El Nino climate conditions



Source: NOAA, Indo Premier

Fig. 6: 75% chance of very strong El Nino during Oct-Dec 2026; rank among the largest El Nino events since 1950



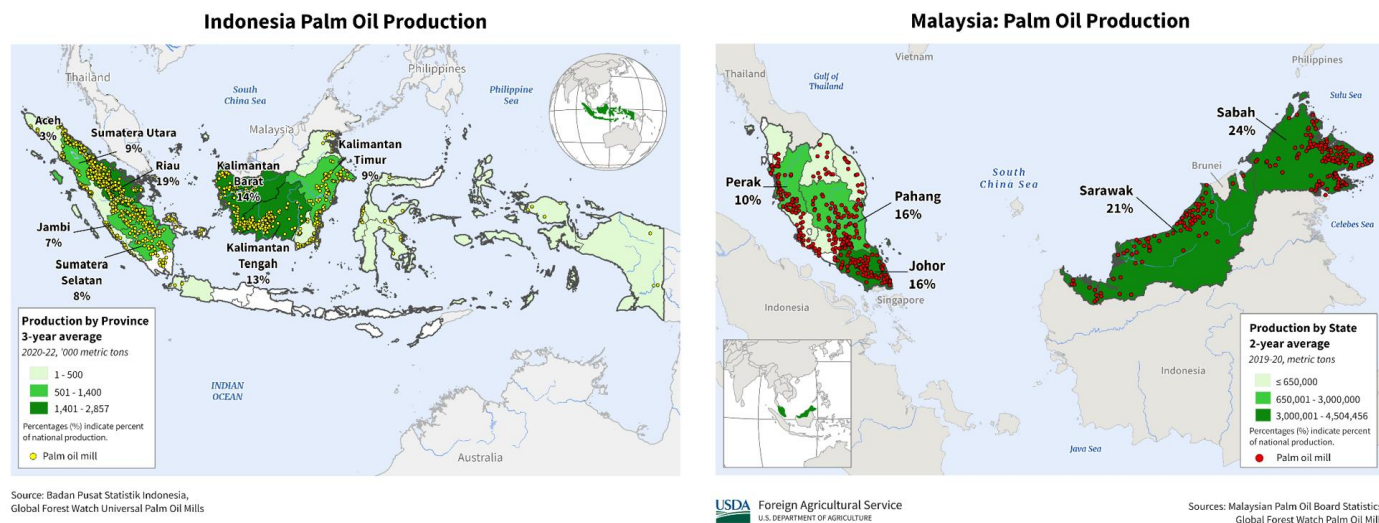
Source: NOAA, Indo Premier

*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.

During the current El Niño, Indonesia appears more exposed at this stage, with rainfall in Sumatra and Kalimantan falling below the optimal level of c.150mm/month for oil palm since Jun26. As both regions entered below-optimal rainfall conditions at around the same time, we expect a relatively similar magnitude of yield impact in Sumatra and Kalimantan in 2027F. This differs from the 2015–16 episode, when rainfall declined primarily in Sumatra, resulting in a deeper yield decline in the region in 2016.

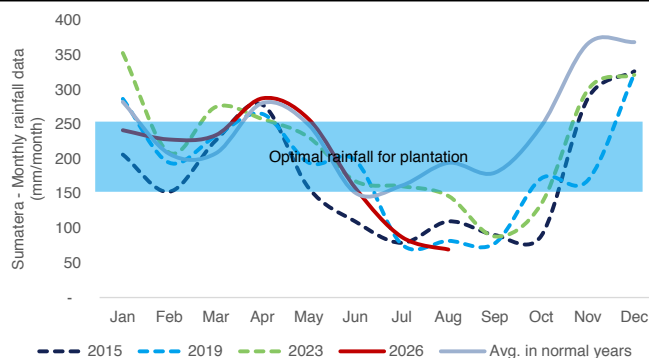
Meanwhile, Malaysian estates have reportedly not experienced critical dryness since Jun-26. Hence, MPOB notes that rainfall during Sep–Nov-26 will be critical in determining the severity of the El Niño impact on Malaysia's 2027F palm production.

Fig. 7: Palm oil plantations in Indonesia are widely distributed across Kalimantan and Sumatra, while in Malaysia they are spread across both Peninsular Malaysia and East Malaysia



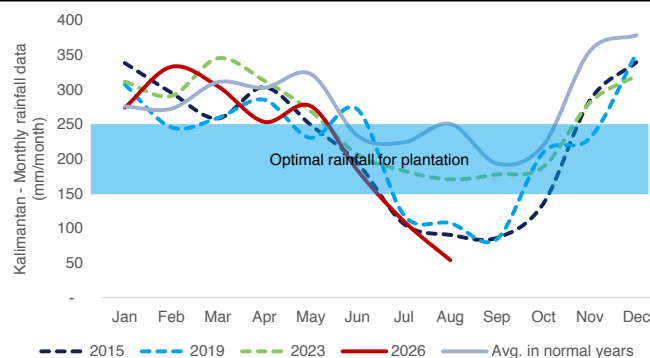
Source: USDA

Fig. 8: In Aug-26, Sumatra rainfall fell to 69mm/month, below the optimal. However, the decline started later than in 2015, with rainfall falling below optimal levels in Jun-26 vs. May-15



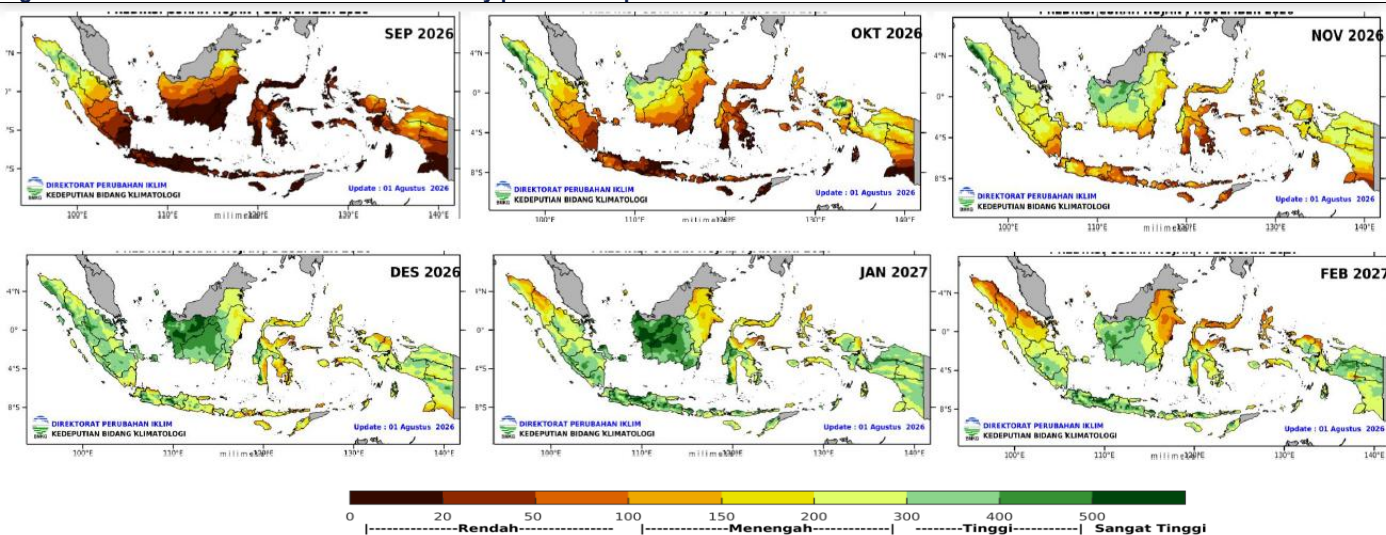
Source: HDX data, Indo Premier

Fig. 9: Meanwhile, rainfall in Kalimantan declined further to 54mm/month, below the level recorded in Sumatra



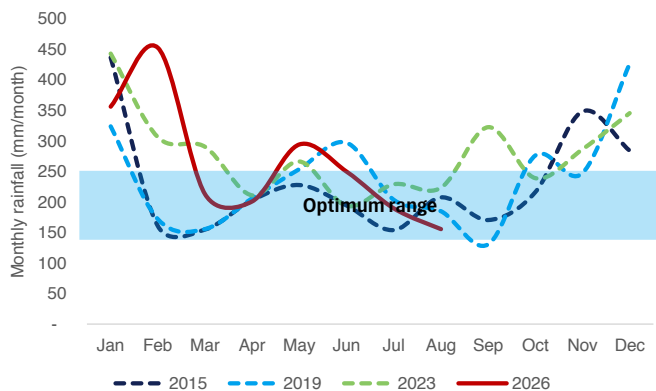
Source: HDX data, Indo Premier

Fig. 10: BMKG rainfall forecast as of first ten-day period of Sep26



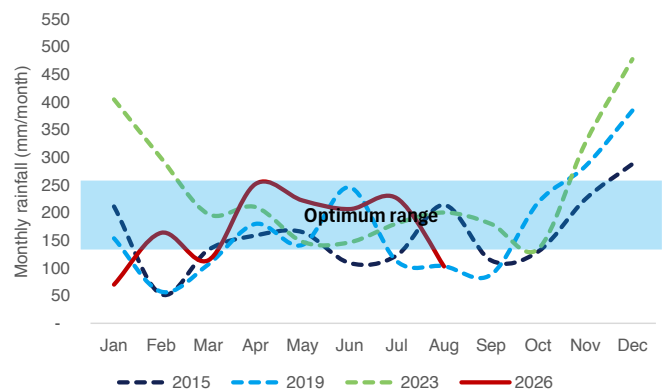
Source: BMKG

Fig. 11: Malaysia's Sabah and Sarawak rainfall (45% of Malaysia's production)



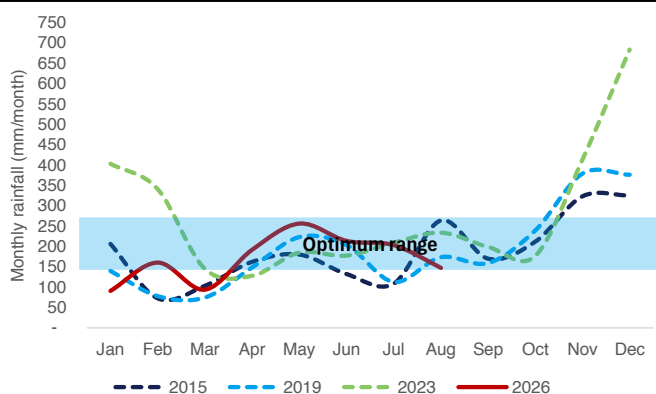
Source: HDX data, Indo Premier

Fig. 12: Malaysia's Peninsula rainfall – Johor (16% of Malaysia's production)



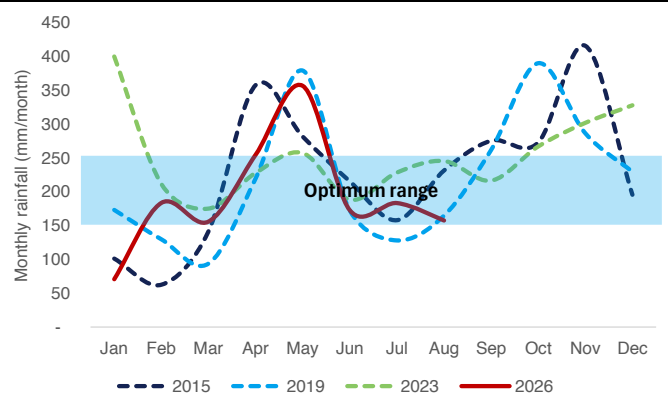
Source: HDX data, Indo Premier

Fig. 13: Malaysia's Peninsula rainfall – Pahang (16% of Malaysia's production)



Source: HDX data, Indo Premier

Fig. 14: Malaysia's Peninsula rainfall – Perak (10% of Malaysia's production)



Source: HDX data, Indo Premier

The historical impact also suggests that prolonged dryness can materially affect palm production. Following the 2015 Super El Niño, Indonesia's FFB yields declined by c.15–17% yoy in 2016, while Malaysia's palm oil production fell by 13%, or by 2.6mn tonnes. Despite CPO prices increasing by c.21% yoy in FY16, the price increase was insufficient to fully offset the earnings impact from lower FFB yields.

Meanwhile, for FY27F, we maintain our base-case assumption of a -1% to -5% yoy yield decline for companies under our coverage for now. We will closely monitor rainfall through Oct-26 to assess whether conditions improve or remain dry, which should provide a clearer indication of the potential severity of the 2027F production impact.

We run a sensitivity on our base-case estimates: every 10% yoy yield decline would need to be offset by a 20% yoy increase in average CPO prices (MYR5.4k/t).

Fig. 15: FFB yield and average age under our coverage in FY15-17

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

El Nino impact to other vegetable oil

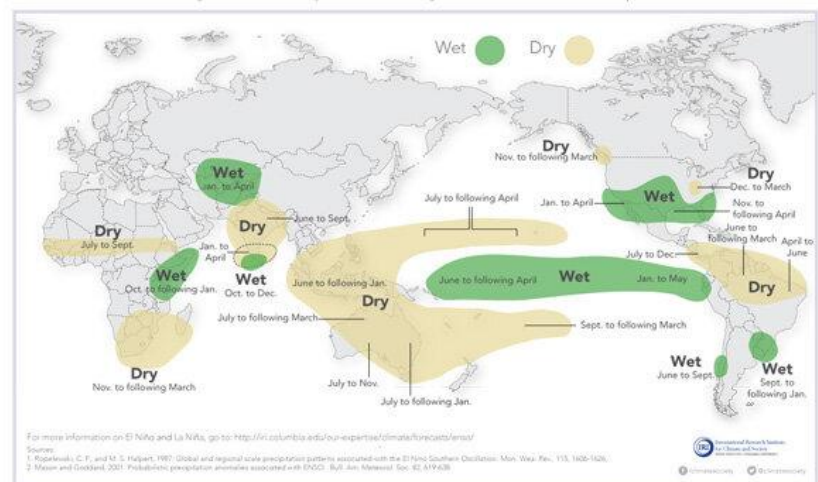
Palm oil accounts for c.35% of global vegetable oil production, followed by soybean oil at c.28%, with sunflower and rapeseed oils making up most of the remainder. While El Niño typically poses a downside risk to palm oil supply by bringing drier conditions to Southeast Asia, its impact on competing vegetable oils varies by producing region.

In South America, El Niño typically brings wetter conditions to soybean-producing regions, potentially supporting soybean production and soybean oil supply. Its impact on sunflower oil is more mixed, with wetter conditions in Argentina potentially supporting production, while the impact on major Black Sea producers, particularly Russia and Ukraine, is less consistent. Meanwhile, rapeseed oil supply is mainly driven by Canada, the EU and China, with warmer and drier conditions in parts of Canada under El Niño potentially pressuring canola yields if dryness persists during key growing stages.

Fig. 16: El Nino impact maps – During El Niño, Indonesia and Malaysia typically experience drier conditions. In South America, the impact is reversed, with northern areas facing drier weather, while southern regions see heavier rainfall that may lead to flooding. In the US and China, the northern states tend to have warmer and drier conditions, while the southern states experience cooler and wetter weather

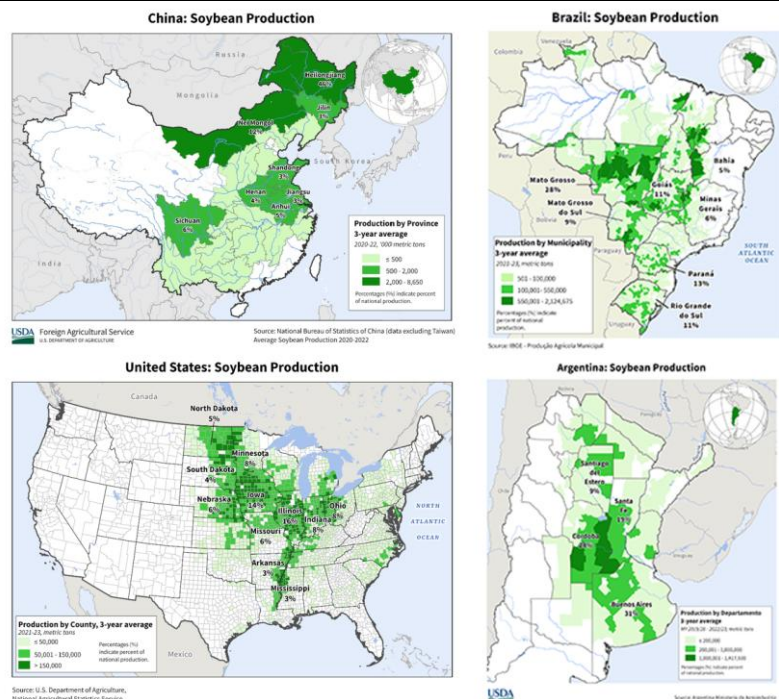
El Niño and Rainfall

El Niño conditions in the tropical Pacific are known to shift rainfall patterns in many different parts of the world. Although they vary somewhat from one El Niño to the next, the strongest shifts remain fairly consistent in the regions and seasons shown on the map below.



Source: IRI

Fig. 17: Soybean estates are concentrated in the US and China (mostly in the northern region), Brazil (mainly in the south), and Argentina (primarily in the north)



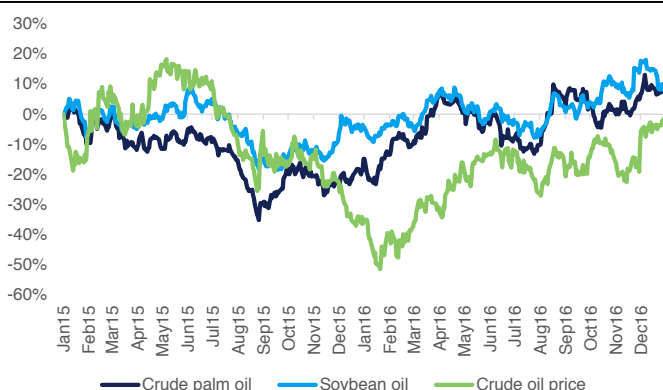
Source: USDA

We also examine CPO and soybean oil price movements in the year following El Niño. Historically, CPO prices rose faster than soybean oil prices during this period, narrowing the CPO discount to soybean oil to an average of 4–11% in 2016, 2020, and 2024.

At the peak, CPO prices traded at a premium to soybean oil in 2020 and 2024, reaching 8% and 31%, respectively, with both episodes occurring in 2H. However, these were exceptional cases. In 2H20, Malaysia's restrictions on foreign-worker recruitment for plantations created a severe labour shortage, while in 2024, CPO prices were supported by stronger demand ahead of B40 implementation.

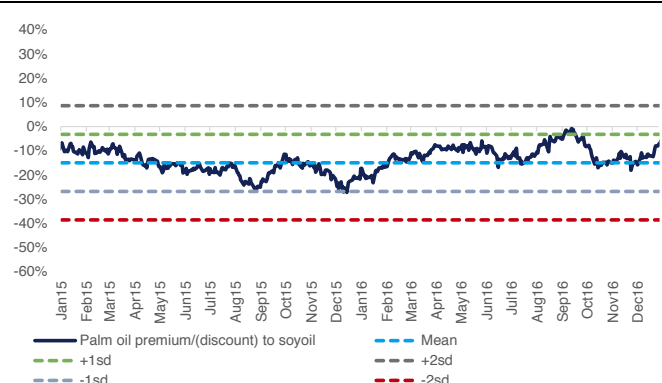
Thus, based on the average trends in the periods following El Niño, CPO prices could reach a maximum of MYR5.5–5.9k/t (22–32% yoy), assuming soybean oil prices increase by 6% yoy in FY27F, in line with consensus, which may not be sufficient to offset the yield decline.

Fig. 18: Vegetable oil and crude oil price movement post El Niño – 2015-16 case



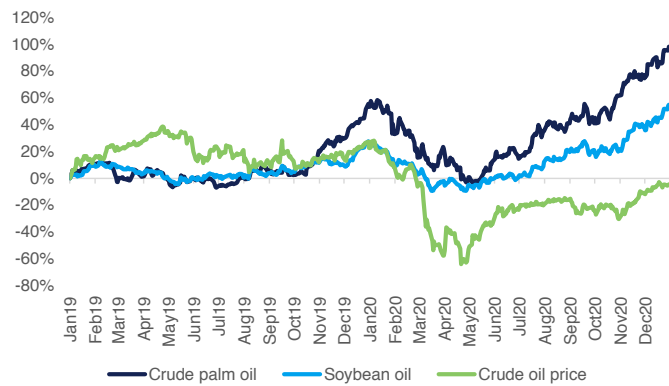
Source: Bloomberg, Indo Premier

Fig. 19: Palm oil premium/discount to soyoil – 2015-16 case



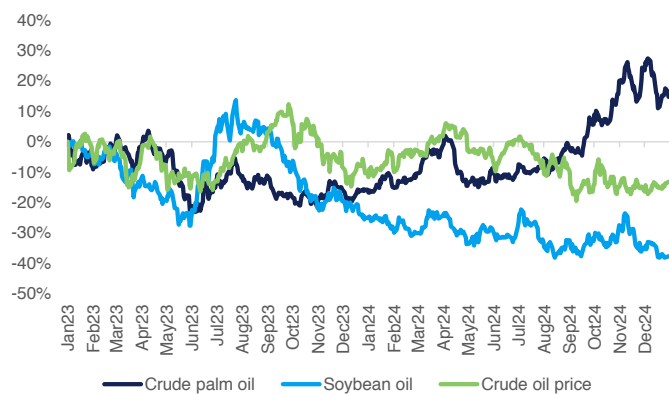
Source: Bloomberg, Indo Premier

Fig. 20: Vegetable oil and crude oil price movement post El Nino – 2019-20 case



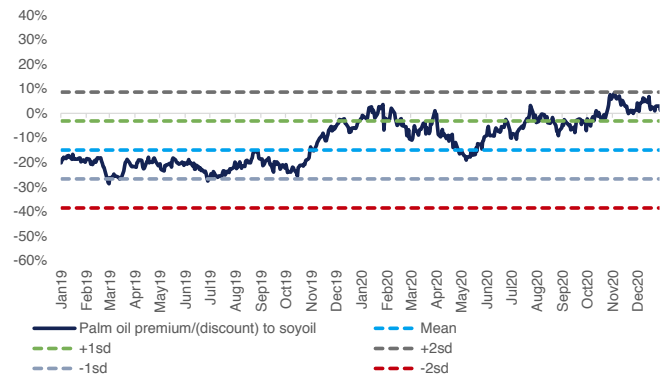
Source: Bloomberg, Indo Premier

Fig. 22: Vegetable oil and crude oil price movement post El Nino – 2023-24 case



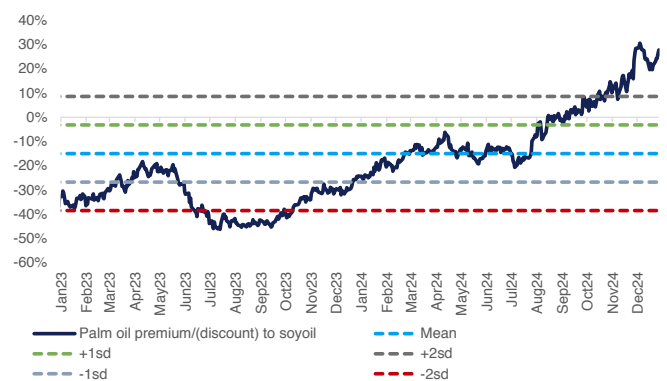
Source: Bloomberg, Indo Premier

Fig. 21: Palm oil premium/discount to soyoil – 2019-20 case: At its peak, CPO traded at an 8% premium to soybean oil, driven by Malaysia's plantation labour shortage in 2H20



Source: Bloomberg, Indo Premier

Fig. 23: Palm oil premium/discount to soyoil – 2023-24 case: At its peak, CPO traded at a 31% premium to soybean oil, driven by stronger demand ahead of B40 implementation



Source: Bloomberg, Indo Premier

Biodiesel - planned B60, however implementation remains challenging

Indonesia has implemented a mandatory biodiesel programme to reduce reliance on fuel imports, strengthen energy security and support the country's foreign exchange position. The programme has progressively increased the biodiesel blending mandate, with Indonesia implementing B50 – comprising of 50% CPO-based biodiesel (FAME) and 50% fossil diesel—since 1st Jul 2026. Full implementation is expected by Oct 2026 as remaining B40 inventories are gradually phased out. As of 31st Aug 2026, c.80% of the B50 allocation had been distributed. The government has allocated 17.6mn kL of biodiesel for 2026, up from the initial allocation of 15.6mn kL, following the decision to implement B50 in Mar–Apr 2026, and estimates that the programme could generate Rp157tr in foreign-exchange savings while increasing domestic CPO absorption and supporting c.2.2mn jobs.

The government is now targeting B60 in 2027F to further reduce reliance on fossil fuel, with formulation under consideration being 50% FAME (*Fatty Acid Methyl Ester*) + 10% HVO (*Hydrotreated Vegetable Oil*) + 40% fossil diesel. However, the final formulation has yet to be determined, as the government is still assessing feedstock availability, infrastructure and economic feasibility, with the study targeted for completion by Dec26. The government estimates B60 could create an additional biodiesel usage to 22.6-23.6mn KL or additional 5-6mn tonnes of CPO demand, equivalent to c.10-13% of seaborne CPO demand.

In our view, B60 would be challenging to implement as both potential formulations face different constraints. If B60 uses 50% FAME + 10% HVO + 40% fossil diesel formulation - would require FAME demand of c.18.8mn-19.7mn kL/year, broadly within existing capacity at c.91-95% utilization, but would require c.4.0mn kL/year of HVO. This remains a key bottleneck, as existing and announced HVO projects would provide only c.1.35mn kL/year at 80% utilization, leaving a significant capacity shortfall. While HVO offers superior fuel properties (in terms of energy density and oxidation stability) and is more suitable for higher blending ratios, its production is more expensive than FAME by 1.5-2x, due to the more complex hydrotreatment process, which requires hydrogen, specialised equipment and higher energy input. This could materially increase the subsidy burden under a B60 programme.

Fig. 24: Indonesia's current and planned HVO capacity

Indonesia HVO capacity	Operational year (actual/target)	Capacity (barrel per day)	Est. utilization	Production per year (mn KL)
Current				0.14
Pertamina Refinery Cilacap Phase 1		3,000	80%	0.14
Planned				1.21
Pertamina Refinery Cilacap Phase 2	2027F	6,000	80%	0.28
Pertamina Plaju	>2030	20,000	80%	0.93

Source: Pertamina, Indo Premier

Another key constraint in the B60 implementation relies on the subsidy

Since the implementation of Indonesia's biodiesel programme in 2010, it has been supported through a subsidy mechanism, as CPO-based biodiesel is generally more expensive than fossil diesel. The subsidy requirement depends on the price gap between biodiesel and fossil diesel, as well as the volume of biodiesel distributed. The programme is primarily funded through the BPDP export levy, currently set at 12.5% for CPO and CPKO and 10% for refined palm products. Higher crude oil prices would narrow the price gap between biodiesel and fossil diesel, thereby reducing the subsidy burden, while higher CPO prices would widen the gap and increase the required subsidy.

As of Jun26, cumulative subsidy payments had reached Rp17tr, versus FY26F allocation of Rp32tr, while export levy revenue reached Rp21tr in 1H26, implying a Rp4tr surplus of levy revenue over subsidy payments. Historically, the government has tended to raise the export levy following periods when BPDP recorded a deficit. Hence, we see limited near-term risk of an export levy increase, as levy revenue currently remains above subsidy payments.

Fig. 25: Biodiesel subsidy calculation

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

Fig. 26: Historically, export levy increases a year after the deficit in BPDP

In Rptr	2021	2022	2023	2024	2025	1H26
Revenue - Actual	72.5	35.7	34.6	28.8	33.2	21.0
Revenue - Estimated by BPDP	13.4	32.4	35.1	28.4	25.1	41.2
% revenue achievement	542%	110%	98%	101%	132%	51%
Expense	-	54.9 -	33.1 -	20.4 -	39.1 -	49.8 -
Surplus/deficit (Revenue - Expense)	17.6	2.6	14.1 -	10.3 -	16.6	4.0
Cash position - beginning	9.6	25.7	25.1	37.6	36.1	18.5
Cash position - ending	25.7	25.1	37.6	36.1	18.5	
Cash increase/(decrease)	16.1 -	0.6	12.5 -	1.5 -	17.6	
Export levy CPO	7% - 17%	8% - 16%	8% - 16%	7.5%	10.0%	12.5%

Source: BPDP, Indo Premier

However, if B60 is being implemented, it would likely put greater pressure on the subsidy mechanism, with the funding source still unclear, whether through the state budget or a higher export levy. We see a higher export levy as a key risk to CPO prices, as it could lower Indonesia's CPO FOB price and widen its discount to Malaysia if international buyers switch to Malaysian CPO.

If the government adopts the 50% FAME + 10% HVO formulation and the HVO price is 1.5x higher compared to FAME, subsidy requirements could reach c.Rp84tr, requiring the export levy to increase to c.20.5% from 12.5% for CPO and CPKO and 18% from 10% for processed palm products (assuming CPO price at current level of US\$1k/t and crude oil price at US\$100/bbl).

Fig. 27: We estimate B60 full-year implementation will require a subsidy amounted Rp84tr or Rp7.4k/liter

Key assumptions		B60 implementation - full year								
USD IDR (Rp/US\$)		18.0								
Total biodiesel usage (mn KL)		24.0								
Total subsidized biodiesel (mn KL)		11.4								
% subsidized		48% Assuming no change in subsidized fuel recipients								

Subsidy per litre (Rp/l)		CPO (US\$/tonne) - Indonesia reference price								
		900	925	950	975	1,000	1,025	1,050	1,075	1,100
Brent crude (US\$/bbl)	60	10,078	10,529	10,979	11,429	11,879	12,330	12,780	13,230	13,680
	65	9,512	9,963	10,413	10,863	11,313	11,763	12,214	12,664	13,114
	70	8,946	9,397	9,847	10,297	10,747	11,197	11,648	12,098	12,548
	75	8,380	8,831	9,281	9,731	10,181	10,631	11,082	11,532	11,982
	80	7,814	8,264	8,715	9,165	9,615	10,065	10,516	10,966	11,416
	85	7,248	7,698	8,149	8,599	9,049	9,499	9,950	10,400	10,850
	90	6,682	7,132	7,583	8,033	8,483	8,933	9,384	9,834	10,284
	95	6,116	6,566	7,017	7,467	7,917	8,367	8,817	9,268	9,718
	100	5,550	6,000	6,451	6,901	7,351	7,801	8,251	8,702	9,152
	105	4,984	5,434	5,885	6,335	6,785	7,235	7,685	8,136	8,586
	110	4,418	4,868	5,318	5,769	6,219	6,669	7,119	7,570	8,020
	115	3,852	4,302	4,752	5,203	5,653	6,103	6,553	7,004	7,454
120	3,286	3,736	4,186	4,637	5,087	5,537	5,987	6,438	6,888	

Amount of subsidy needed (Rp/lt)		CPO (US\$/tonne) - Indonesia reference price								
		900	925	950	975	1,000	1,025	1,050	1,075	1,100
Brent crude (US\$/bbl)	60	115	120	125	131	136	141	146	151	156
	65	109	114	119	124	129	134	140	145	150
	70	102	107	112	118	123	128	133	138	143
	75	96	101	106	111	116	121	127	132	137
	80	89	94	100	105	110	115	120	125	130
	85	83	88	93	98	103	109	114	119	124
	90	76	81	87	92	97	102	107	112	117
	95	70	75	80	85	90	96	101	106	111
	100	63	69	74	79	84	89	94	99	105
	105	57	62	67	72	78	83	88	93	98
	110	50	56	61	66	71	76	81	86	92
	115	44	49	54	59	65	70	75	80	85
120	38	43	48	53	58	63	68	74	79	

Source: Indo Premier

Fig. 28: We also estimate the export levy may needs to increase to 20.5% (from 12.5%) for CPO and CPKO and 18% (from 10%) for processed palm product to fulfil the subsidy requirement (under assumption current CPO price US\$1k/t and crude oil US\$100/bbl)

	B60 implementation	Remarks
CPO only		
Total export volume (mn tonne)	25.69	Minus by 6mn tonne (lower export due to the B60 implementation)
Export contribution		
Crude type - CPO and PKO	9%	Based on 4M26 figure
Processed type	91%	Based on 4M26 figure
Export volume (mn tonne)		
Crude type - CPO and PKO	2.23	
Processed type	23.46	
USD IDR	18,000	

Amount of export levy obtained from export activities					
Export levy rate needed					
Crude type - CPO and PKO - export levy	20.50%				
Processed type - export levy	18%				
CPO px - HPE (Harga Patokan Ekspor (US\$/t))	Export levy (US\$/tonne)	Export levy (US\$/tonne) - processed CPO and PKO	Amount of export levy obtained from CPO and PKO export (Rp/lt)	Amount of export levy obtained from processed CPO and PKO export (Rp/lt)	Amount of export levy obtained (Rp/lt)
900	185	162	7.4	68.4	75.8
925	190	167	7.6	70.3	77.9
950	195	171	7.8	72.2	80.0
975	200	176	8.0	74.1	82.1
1,000	205	180	8.2	76.0	84.2
1,025	210	185	8.5	77.9	86.3
1,050	215	189	8.7	79.8	88.5
1,075	220	194	8.9	81.7	90.6
1,100	226	198	9.1	83.6	92.7

Source: Indo Premier

Meanwhile, assuming CPO prices at MYR5k/t, we estimate crude oil prices would need to reach US\$145/bbl under a 50% FAME + 10% HVO formulation for the government to implement B60 without increasing the export levy.

Fig. 29: We estimate crude oil prices need to rise above US\$145/bbl for the government to avoid increasing the export levy

Sensitivity on crude oil price to avoid rising export levy in 2027F if B60 is fully implemented				
CPO price (MYR/t)	4,000	4,500	5,000	5,500
MYR USD	0.25	0.25	0.25	0.25
CPO price (USD/t)	1,000	1,125	1,250	1,375
Indonesia's palm export reference price	890	1,001	1,112	1,223
Indonesia's palm export reference price - rounded	900	1,000	1,100	1,225
2027 - B60 full implementation				
Amount of export levy obtained (Rp/tr)	42.5	47.2	52.0	57.9
Brent price - breakeven point	120	130	145	160

Source: Indo Premier

Overall, we see B60 as challenging due to higher funding needs, limited FAME/HVO capacity, and technical constraints, particularly under the HVO formulation, unless higher crude oil prices or additional state budget support can ease the burden.

Nevertheless, B60 could provide further upside to CPO prices if implemented. Historically, in periods when biodiesel blending increased following an El Niño year, as seen in 2016, 2020, and 2024, Malaysia's annual average CPO price increased by 11–29% yoy, while Indonesia's CPO price rose by a more modest 14–21%, partly due to higher export levy rates. We also see potential for B60 to push CPO prices into a premium to soybean oil, as seen ahead of B40 implementation.

Given the limited HVO capacity and the potentially lengthy lead time of more than two years to build additional capacity, we see B60 as less likely to be implemented. Therefore, we have not incorporated B60 into our base-case scenario for now.

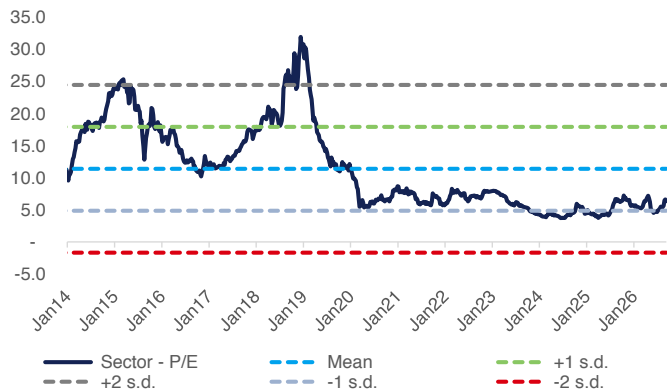
Fig. 30: Average yearly CPO price in Malaysia and Indonesia during rising biodiesel blending

	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
Avg. yearly Malaysia's CPO FOB price - growth yoy	22%	-9%	21%	29%	-25%	11%
Avg. yearly Indonesia's CPO FOB price - growth yoy	13%	-16%	14%	21%	-13%	17%

Source: Indo Premier

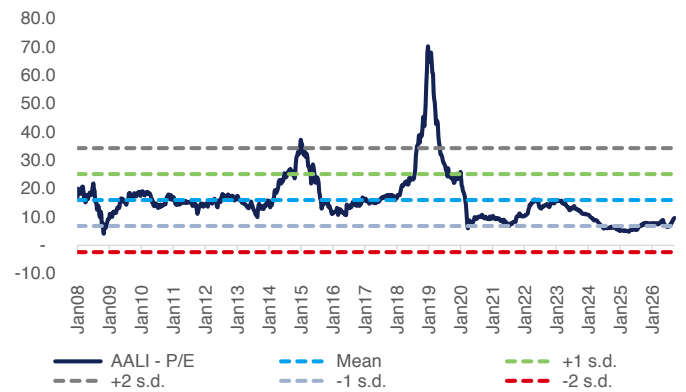
Valuation

Fig. 31: Sector (ex. TAPG) LT P/E



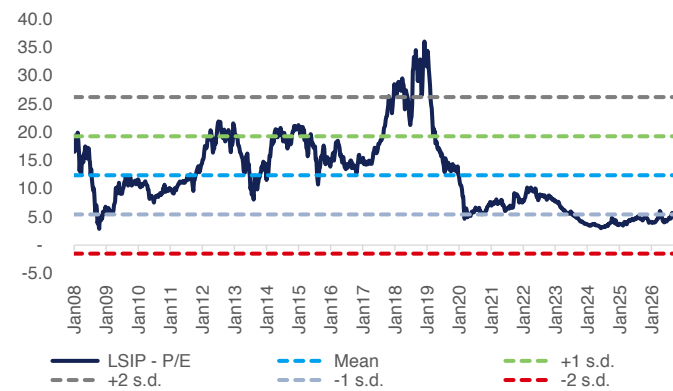
Source: Bloomberg, Indo Premier

Fig. 32: AALI LT P/E



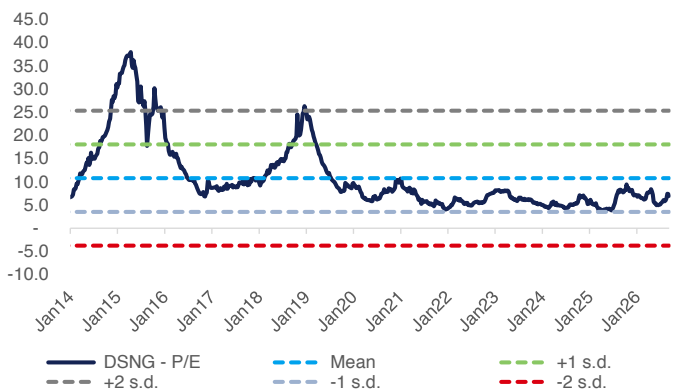
Source: Bloomberg, Indo Premier

Fig. 33: LSIP LT P/E



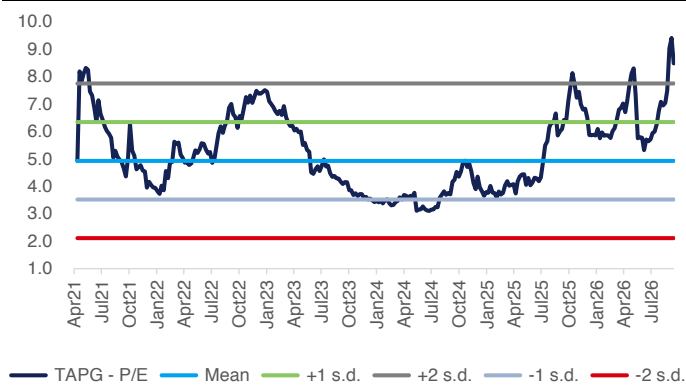
Source: Bloomberg, Indo Premier

Fig. 34: DSNG LT P/E



Source: Bloomberg, Indo Premier

Fig. 35: TAPG P/E since IPO (Apr21)



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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