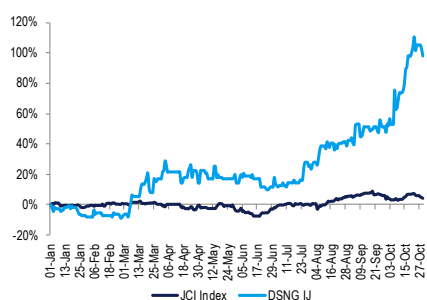


Stock Data

Target price	Rp1,300
Prior TP	Rp1,100
Current price	Rp850
Upside/downside	+18%
Shares outstanding (mn)	10,600
Market cap (Rp bn)	9,010
Free float	24%
Avg. 6m daily T/O (Rp bn)	25

Price Performance

	3M	6M	12M
Absolute	57.1%	73.2%	93.0%
vs. JCI	52.6%	68.6%	80.9%
52w low/high (Rp)	505 - 1170		



Major Shareholders

Rachmat Family	31.0%
Oetomo Family	28.9%
Subianto Family	8.4%
Salim Lim Family	6.3%

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3Q24 results: beat from higher-than-expected CPO prices

- 9M24 net profit of Rp833bn (+66% yoy) was above ours/consensus at 74/77% (vs. 3Y avg of 64%) due to higher-than-expected CPO prices.
- 3Q24 net profit grew to Rp329bn (+133% yoy/+19% qoq) as GPM expanded (+619 bps yoy/+356 bps qoq) on higher CPO ASP.
- We maintain our Buy call with a higher TP of Rp1,300 to factor in a higher CPO price.

9M24 net profit came above ours/consensus due to higher CPO prices

9M24 net profit reached Rp833bn (+66% yoy) above ours/consensus estimates at 74/77% of FY24F (vs. 3Y avg of 64%) due to higher-than-expected CPO price. Revenue reached Rp7.2tr (+9% yoy) as growth in CPO ASP (+8%) was able to offset the decline in sales volume (-4% yoy). Gross profit also grew to Rp2.1tr (+30% yoy) as GPM expanded to 30% (+485 bps yoy) due to higher price.

3Q24 net profit increased on higher CPO ASP despite slow production

Net profit increased to Rp329bn (+133% yoy/+19% qoq) as GPM expanded with higher CPO ASP. Revenue reached Rp2.5tr (+12% yoy/flat qoq) as sales volume declined (-9% yoy/-1% qoq) but was offset by CPO ASP increase of +18% yoy/+1% qoq. Gross profit reached Rp807bn (+38% yoy/+12% qoq) as GPM improved to 33% (+619 bps yoy/+356 bps qoq) from higher CPO ASP. Its EBIT reached Rp555bn (+57% yoy/+14% qoq) as its EBIT margin increased to 22% (+649 bps yoy/+288 bps qoq).

CPO production declined along with sales volume despite ASP increase

Operationally, we saw a decrease in CPO production at -14% yoy/flat qoq to 147kt in 3Q24 while FFB production also declined by -14% yoy/-2% qoq to 509kt. FFB yield also declined to 18t/ha in 3Q24 from 21t/ha in 3Q23. In terms of sales volume, CPO sales also declined -9% yoy/-1% qoq to 144kt in 3Q24. CPO ASP rose to Rp12.8k/t in 3Q24 (Rp12.4k/t in 9M24), which was up 18% yoy/+1% qoq.

Reiterate Buy with a higher TP of Rp1,300

We revised up our FY24-26F earnings forecasts for DSNG by 6-12% to factor in the higher CPO prices, and lift our TP to Rp1,300 (vs. Rp1,100 previously); reaffirm Buy. Our new TP implies FY25F P/E of 8.0x (-1 SD of its 5yr mean). DSNG remains our preferred pick given its superior productivity, lower cost of production and diversified revenue profile and higher ESG score. Risks: CPO output/prices, weather conditions and regulations.

Financial Summary (Rp bn)	2022A	2023A	2024F	2025F	2026F
Revenue	9,634	9,499	10,427	11,303	11,788
EBITDA	3,005	2,419	2,976	3,470	3,446
EBITDA growth	55.4%	-19.5%	23.0%	16.6%	-0.7%
Net profit	1,207	840	1,256	1,611	1,583
EPS (Rp)	115	80	120	154	151
EPS growth	88.7%	-31.3%	45.2%	28.3%	-1.8%
ROE	14.8%	9.4%	12.6%	14.4%	12.8%
PER (x)	7.5	10.8	9.2	7.2	7.3
EV/EBITDA (x)	4.7	5.9	5.4	4.5	4.3
Dividend yield	1.4%	2.3%	1.8%	2.7%	3.5%
IPS vs. consensus			116%	95%	82%

Source: Company, Indo Premier

Share price closing as of: 30 October 2024

Fig. 1: DSNG 9M24 result summary

DSNG 9M24 results (Rp bn)	9M24	9M23	yoy%	3Q24	3Q23	yoy%	2Q24	qoq%	IPS FY24F	% of IPS	Cons FY24F	% of cons	3Yavg
Revenue	7,172	6,564	9%	2,469	2,207	12%	2,473	0%	10,199	70%	10,036	71%	69%
COGS	(5,031)	(4,923)	2%	(1,661)	(1,622)	2%	(1,752)	-5%	(7,228)	70%	(7,005)	72%	
Gross Profit	2,141	1,641	30%	807	585	38%	721	12%	2,971	72%	3,031	71%	66%
GPM (%)	30%	25%	48%	33%	27%	61%	29%	35%	29%		30%		
Opex	(685)	(614)	12%	(252)	(232)	9%	(236)	7%	(966)	71%	(1,044)	66%	
EBIT	1,456	1,027	42%	555	353	57%	485	14%	2,004	73%	1,987	73%	65%
EBIT margin (%)	20%	16%	46%	22%	16%	64%	20%	28%	20%		20%		
D&A	671	598	12%	236	208	13%	224	5%	800	84%			
EBITDA	2,127	1,625	31%	791	561	41%	708	12%	2,805	76%	2,514	85%	68%
EBITDA margin (%)	30%	25%		32%	25%		29%		28%		25%		
Interest expense	(360)	(325)	11%	(57)	(162)	-65%	(164)	-65%	(588)	61%			
Interest Income	16	17	-5%	3	6	-42%	5	-31%	27	57%			
Others	38	(47)	-181%	(39)	(5)	721%	54	-172%	(6)	-610%			
Pretax profit	1,150	672	71%	462	192	140%	380	22%	1,437	80%	1,484	77%	64%
Tax	(309)	(168)	85%	(130)	(48)	171%	(101)	28%	(316)	98%	(398)		
Tax rate (%)	27%	25%		28%	25%		27%		22%		27%		
Minority interests	(8)	(2)	355%	(3)	(3)	-6%	(1)	126%	1	-855%			
Net profit	833	503	66%	329	141	133%	278	19%	1,122	74%	1,086	77%	64%
NPM (%)	12%	8%		13%	6%		11%		11%		11%		

Source: Company, Indo Premier

Fig. 2: Operational performance

Op. performance	9M24	9M23	yoy%	3Q24	3Q23	yoy%	2Q24	qoq%
FFB production ('000)	1,555	1,639	-5%	509	595	-14%	521	-2%
CPO production ('000)	441	474	-7%	147	170	-14%	147	0%
FFB yield per Ha (t/ha)	18	19	-5%	18	21	-14%	19	-2%
CPO ASP (Rp '000/t)	12,420	11,500	8%	12,830	10,876	18%	12,690	1%
CPO sales ('000)	436	456	-4%	144	158	-9%	146	-1%

Source: Company, Indo Premier

Fig. 3: Forecast changes

Forecast changes	Old			New			Changes		
	FY24F	FY25F	FY26F	FY24F	FY25F	FY26F	FY24F	FY25F	FY26F
Net Revenue	10,199	10,884	11,478	10,427	11,120	11,598	2%	2%	1%
Cost of Sales	(7,228)	(7,648)	(8,186)	(7,278)	(7,704)	(8,217)	1%	1%	0%
Gross Profit	2,971	3,235	3,292	3,149	3,417	3,381	6%	6%	3%
GP margin %	29%	30%	29%	30%	31%	29%	107	100	47
SG&A Expenses	(966)	(1,022)	(1,094)	(973)	(1,030)	(1,099)	1%	1%	0%
Operating Profit	2,004	2,213	2,198	2,176	2,387	2,282	9%	8%	4%
Net Interest	(561)	(507)	(460)	(561)	(499)	(446)	0%	-1%	-3%
Forex Gain (Loss)	-	-	-	-	-	-			
Others-Net	(6)	(6)	(6)	(6)	(6)	(6)	0%	0%	0%
Pre-Tax Income	1,437	1,700	1,731	1,608	1,881	1,830	12%	11%	6%
Income Tax	(316)	(374)	(381)	(354)	(414)	(403)	12%	11%	6%
Minority interest	1	1	1	1	1	1	12%	11%	6%
Net Income	1,122	1,327	1,352	1,256	1,469	1,429	12%	11%	6%

Source: Company, Indo Premier

Fig. 4: DSNG valuation summary

Based on 25F	
Net profit (Rp bn)	1,611
Applied PE Ratio (x)	8
Implied mkt cap (Rp bn)	13,537
No. of shares (m)	10,458
Share price (IDR/share)	1,300
Share price today	1,105
Share price upside (%)	18%
Add: dividend yield	1%
Total shareholder return	19%

Source: Bloomberg, Indo Premier

Fig. 5: DSNG P/E band



Source: Bloomberg, Indo Premier

Fig. 6: DSNG P/B band



Source: Bloomberg, Indo Premier

Income Statement (Rp bn)	2022A	2023A	2024F	2025F	2026F
Net revenue	9,634	9,499	10,427	11,303	11,788
Cost of sales	-6,516	-6,971	-7,278	-7,704	-8,217
Gross profit	3,118	2,527	3,149	3,599	3,570
SG&A Expenses	(848)	(932)	(973)	(1,030)	(1,099)
Operating profit	2,270	1,596	2,176	2,570	2,472
Net interest	(562)	(415)	(561)	(499)	(438)
Forex gain (loss)	2	1	0	0	0
Others	(97)	(40)	(6)	(6)	(6)
Pre-tax income	1,610	1,141	1,608	2,064	2,027
Income tax	(404)	(299)	(354)	(454)	(446)
Minority interest	0	(2)	1	2	2
Net income	1,207	840	1,256	1,611	1,583

Balance Sheet (Rp bn)	2022A	2023A	2024F	2025F	2026F
Cash & equivalent	359	390	567	673	851
Receivable	460	369	405	439	458
Inventory	1,291	1,111	1,160	1,228	1,310
Other current assets	2,410	2,191	2,240	2,307	2,389
Total current assets	3,230	2,949	3,212	3,419	3,698
Fixed assets	6,681	7,469	8,614	9,115	9,447
Goodwill	226	226	226	226	226
Total non-current assets	5,221	5,534	5,458	5,618	5,772
Total assets	15,357	16,178	17,510	18,377	19,142
Payable	508	427	698	739	788
Other payables	776	769	1,287	1,317	1,354
Current portion of LT loans	1,738	1,751	1,551	1,351	1,151
Total current liab.	3,022	2,946	3,536	3,407	3,293
Long term loans	3,709	3,826	3,526	3,226	2,926
Other LT liab.	466	517	517	517	517
Total liabilities	7,197	7,289	7,579	7,150	6,736
Equity	3,028	3,154	3,154	3,154	3,154
Retained earnings	5,006	5,562	6,606	7,903	9,083
Minority interest	126	174	172	171	169
Total SHE + minority int.	8,160	8,889	9,932	11,228	12,406
Total liabilities & equity	15,357	16,178	17,510	18,377	19,142

Source: Company, Indo Premier

Cash Flow Statement (Rp bn)	2022A	2023A	2024F	2025F	2026F
Net income	1,207	840	1,256	1,611	1,583
Depr. & amortization	490	569	800	900	974
Changes in working capital	(607)	339	705	(31)	(15)
Others	(145)	(364)	(29)	(36)	(42)
Cash flow from operating	945	1,384	2,732	2,445	2,501
Capital expenditure	-123	-166	-1120	-1360	-1360
Others	-1159	-1484	-723	-166	-60
Cash flow from investing	-1282	-1650	-1843	-1526	-1420
Loans	138	130	(500)	(500)	(500)
Equity	58	54	0	0	(0)
Dividends	-131	-212	-212	-314	-403
Others	209	325	0	0	0
Cash flow from financing	274	297	-712	-814	-903
Changes in cash	-63	30	178	105	178

Key Ratios	2022A	2023A	2024F	2025F	2026F
Gross margin	32.4%	26.6%	30.2%	31.8%	30.3%
Operating margin	23.6%	16.8%	20.9%	22.7%	21.0%
Pre-tax margin	16.7%	12.0%	15.4%	18.3%	17.2%
Net margin	12.5%	8.8%	12.0%	14.3%	13.4%
ROA	7.9%	5.2%	7.2%	8.8%	8.3%
ROE	14.8%	9.4%	12.6%	14.4%	12.8%
ROIC	13.1%	8.3%	11.5%	13.1%	12.1%
Acct. receivables TO (days)	13	16	14	14	14
Payable TO (days)	24	24	28	34	34
Debt to equity	67.8%	64.0%	52.0%	41.4%	33.3%
Interest coverage ratio (x)	3.9	3.6	3.7	4.8	5.2
Net gearing	63.3%	59.5%	46.2%	35.3%	26.4%

Source: Company, Indo Premier

INVESTMENT 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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