Dharma Satya Nusantara

Upgrading Our Estimates

BUY (Maintain)

Target Price	IDR 1,020 (+25% ups.)
Previous TP	IDR 770
Current Price	IDR 815

- ***Stronger CPO price outlook & earnings upgrade*** *– We forecast FY25F-27F global CPO prices at RM ≥4,350/MT (+4.0% YoY), supported by constrained supply (aging palm trees) and rising Indonesia's biodiesel production (B40 rollout in 2025, B50 target in 2026). In turn, we raise DSNG's FY25F-27F NPATMI to IDR ~1.3tn (from: IDR ~1.1tn), driven by higher CPO prices, high FFB yield, and stable production cost.*

- ***Raise TP to IDR 1,020/sh (from: IDR 770/sh)*** *– We reiterate our BUY call on DSNG with a target price of IDR 1,020/sh (8x FY25F PE, +0.5 SD from its 4-yr hist. level), supported by its solid earnings growth, high FFB yield, and a strong commitment to sustainability (~65% RSPO and 100% ISPO). The stock is currently trading at 5.5x FY25F P/E (-0.7 SD from its hist. 4-yr avg. PE), suggesting limited downside risk. Key risks include weaker-than-expected CPO prices and regulatory intervention in the sector.*

Expect global FY25F CPO prices to rise to RM ≥4,350/MT

We forecast FY25F-26F global palm prices at RM ≥4,350/MT, which is +4.0% higher than FY24 average prices of RM 4,180/MT. Our projection is based on:

- **On the supply side,** global CPO production remains constrained, with GAPKI & MPOB forecasting Indonesia and Malaysia's 2025F output at 54mn tons (+1.7% YoY) and 19.5mn tons (+1.1% YoY), respectively, primarily due to ageing palm oil trees. Our checks on major listed companies in both countries indicate an average tree age of ~15 years

- **On the demand side**, Indonesia's B40 rollout in Jan'25 (vs. B35 in FY24) is expected to drive biodiesel CPO demand to 13.6mn tons in 2025 (vs. 11.5mn tons), lifting total palm oil consumption to 22mn tons (vs. 21mn tons). Additionally, the government's B50 target for 2026F could further boost national CPO demand to ~17mn tons per year.

Operational outlook

We anticipate DSNG's FY25F-27F FFB yield to rise to ~21.8 ton/ha (FY24: 20.8 ton/ha), supported by abundant rainfall in FY24 and a favorable weather forecast for FY25. Additionally, DSNG's average plant age is expected to remain around 14 years as the company consistently utilizes premium progenies for replanting, which accelerate FFB production and yield.

Upgrade our earnings forecast

We revise up DSNG's FY25F-27F NPATMI forecast to ~IDR 1.3tn (previously ~IDR 1.1tn), driven by higher CPO prices, improved FFB yield, and stable production costs. We anticipate production costs per ton to remain steady, as the company has secured its FY25 fertilizer supply at prices comparable to FY24.

Raise our TP to IDR 1,020/sh (from: IDR 770/sh)

We reiterate our BUY call on DSNG with a higher TP of IDR 1,020/sh (previously IDR 770/sh), underpinned by robust earnings growth, superior FFB yield relative to peers (Figure 8), low leverage, and a strong commitment to sustainability (~65% RSPO and 100% ISPO certification). Our TP is derived from 8x FY25F P/E, representing +0.5 SD above its 4-year historical average.

The stock currently trades at 6.5x FY25F PE (-0.4 SD from its hist. 4-yr avg. PE), offering limited downside in our view. Key downside risks to our call include: 1) Lower-than-expected CPO prices and FFB yield and 2) Unfavorable government intervention in the CPO sector

Company Data

Year end Dec (IDR Bn)	2023	2024	2025F	2026F	2027F
Revenue (Rp bn)	9,499	10,119	10,344	10,299	10,290
EBITDA (Rp bn)	2,421	3,096	3,285	3,126	3,092
Net Profit (Rp bn)	839	1,142	1,308	1,363	1,353
EPS (Rp)	79	108	123	129	128
EPS Growth (%)	-30.5%	36.2%	14.5%	4.2%	-0.7%
P/E (x)	10.1	7.4	6.5	6.2	6.3
EV/EBITDA	5.6	4.4	3.7	3.5	3.3
P/BV (x)	1.0	0.9	0.8	0.7	0.7
ROAE (%)	9.4%	11.5%	12.6%	12.1%	11.1%
Div. Yield (%)	3.3%	2.4%	4.7%	5.4%	5.6%

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Stock Data & Indices

Bloomberg Code	DSNG
JCI Member	IDXNCYC
MSCI Indonesia Index	No
JII	No
LQ45	No
Kompas 100	No

Key Data

Issued Shares (mn)	10,599.8
Free Float (est)	23.8
Mkt. Cap (Rp bn)	8,585.9
Mkt. Cap (USD mn)	522.0
ADTV 6 months (Rp bn)	23.7
52 Wk-range	1400/570

Performance (%)

	YTD	1m	3m	12m
Absolute	-14.7	-11.5	-23.2	38.5
Relative to JCI	-12.8	-11.0	-21.8	33.7

Income Statement

Year end Dec (IDR bn)	2023	2024	2025F	2026F	2027F
Revenue	9,499	10,119	10,344	10,299	10,290
Gross Profit	2,527	3,004	3,265	3,091	3,004
Op. Profit	1,556	2,023	2,299	2,086	1,996
EBITDA	2,421	3,096	3,285	3,126	3,092
Interest income	24	21	52	36	38
Interest expenses	(439)	(551)	(472)	(375)	(300)
Net int. inc./(exp)	(415)	(529)	(420)	(339)	(261)
Other inc./(exp.)	(1)	101	-	-	-
Pre-tax profit	1,140	1,640	1,879	1,747	1,735
Tax	(299)	(499)	(571)	(384)	(382)
Net profit	839	1,142	1,308	1,363	1,353
DPR	23%	35%	35%	35%	35%

Balance Sheet

Year end Dec (IDR bn)	2023	2024	2025F	2026F	2027F
Cash and equivalents	390	557	1,038	1,134	1,412
Bearer plants	3	3	3	3	2
Net fixed asset	10,905	11,103	11,291	11,251	11,155
Other assets	4,881	5,749	5,119	5,080	5,084
Total Asset	**16,178**	**17,412**	**17,451**	**17,468**	**17,653**
Account payables	427	516	496	505	510
LT debt	5,567	5,729	4,720	3,748	2,998
Other liabilities	1,295	1,270	1,393	1,449	1,486
Total Liabilities	**7,289**	**7,515**	**6,608**	**5,702**	**4,994**
Minority interest	174	174	212	230	247
Shareholders' Equity	**8,889**	**9,897**	**10,843**	**11,766**	**12,660**

Cash Flow

Year end Dec (IDR bn)	2023	2024	2025F	2026F	2027F
Net profit	839	1,142	1,308	1,363	1,353
Depr. / amort.	797	850	986	1,041	1,095
Chg in working cap	221	282	(361)	68	40
CF operations	**1,858**	**2,274**	**1,933**	**2,471**	**2,489**
Capex	(1,501)	(1,048)	(1,174)	(1,000)	(999)
Others	(357)	(1,086)	1,093	37	(3)
CF investing	**(1,858)**	**(2,134)**	**(80)**	**(964)**	**(1,002)**
Net change in debt	141	162	(1,009)	(972)	(750)
Dividends	(283)	(207)	(400)	(458)	(477)
Others	173	73	38	18	17
CF financing	**31**	**27**	**(1,371)**	**(1,412)**	**(1,209)**
Net cash flow	**30**	**167**	**481**	**96**	**278**
Cash at BoY	360	390	557	1,038	1,134
Cash at EoY	**390**	**557**	**1,038**	**1,134**	**1,413**

Ratio Analysis

Year end Dec	2023	2024	2025F	2026F	2027F
Profitability					
Gross margin (%)	26.6	29.7	31.6	30.0	29.2
Op. margin (%)	16.4	20.0	22.2	20.3	19.4
EBITDA margin (%)	25.5	30.6	31.8	30.4	30.0
Net margin (%)	8.8	11.3	12.6	13.2	13.2
ROAE (%)	9.4	11.5	12.6	12.1	11.1
ROAA (%)	5.2	6.6	7.5	7.8	7.7
Stability					
Current ratio (x)	1.0	1.1	2.7	2.7	2.8
Net debt to equity (x)	0.6	0.5	0.3	0.2	0.1
Interest coverage (x)	5.5	5.6	7.0	8.3	10.3
Efficiency					
Receivables (days)	14.8	14.1	14.6	14.6	14.6
Inventory (days)	42.7	44.2	45.8	45.8	45.8
Payables (days)	16.4	18.6	17.5	17.9	18.1

Company Background

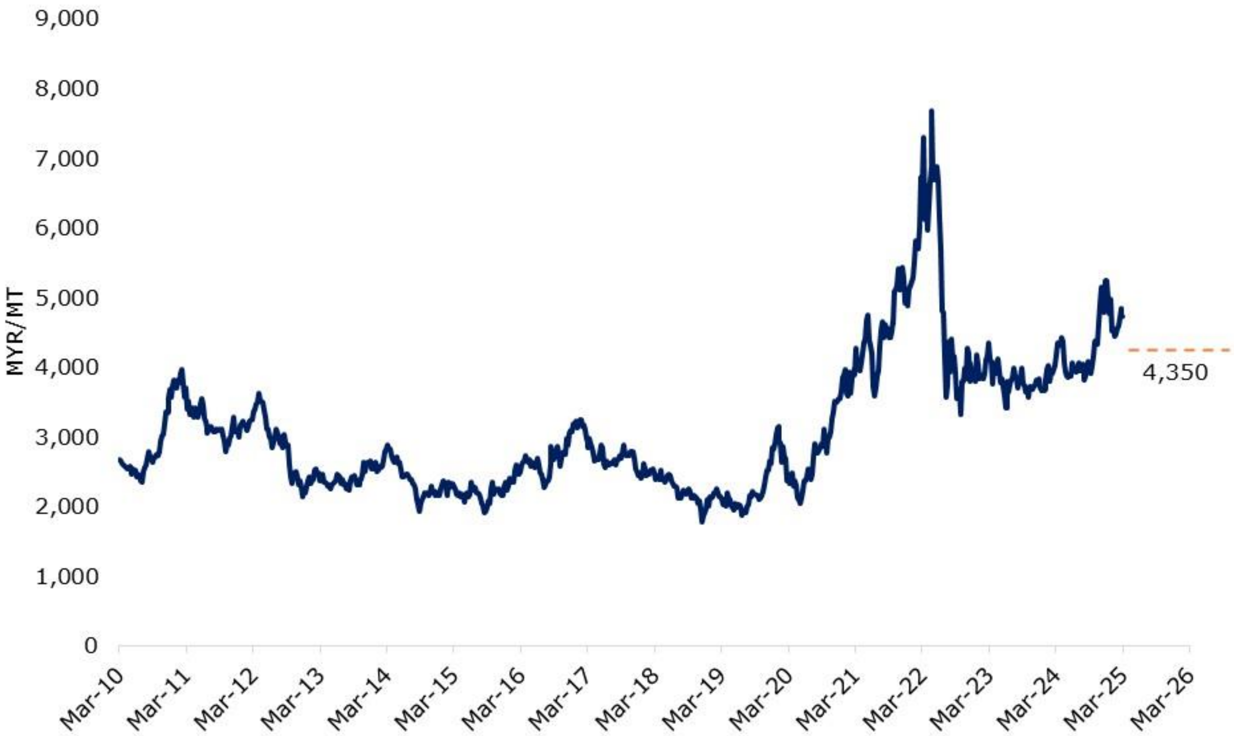
PT Dharma Satya Nusantara Tbk (DSNG) is a palm oil and wood processing company. Own 12 mills CPO in Kalimantan area with capacity 675 FFB ton/hr, 1 mills PKO with 400 ton/day. It should be noted that the company have a young palm tree age at ~14 years old

Major Shareholders

PT Triputra Investindo Arya	27.63%
PT Krishna Kapital Investama	14.63%
PT Tri Nur Cakrawala	7.44%
PT Mitra Aneka Guna	6.32%
Arianto Oetomo	5.43%
Andrianto Oetomo	5.43%
Public	33.12%

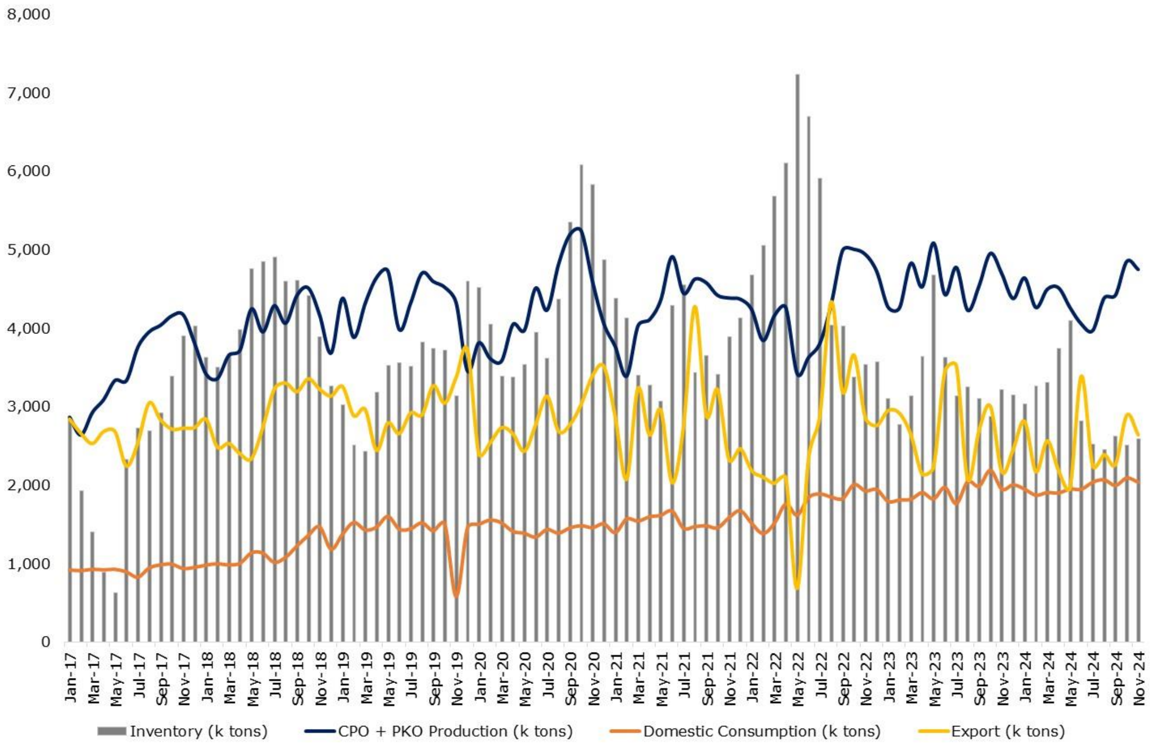
Strength	**Weakness**
Has young and prime CPO plant age profile (~14 year old)	Concentrated in Kalimantan Area
Opportunity	**Threat**
High global CPO prices and rising CPO global demand	Changes in government regulation

Figure 1. Global CPO price forecast



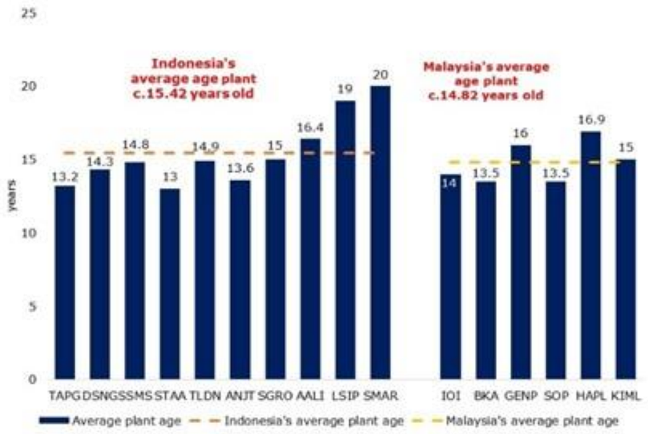
Source: Company, Trimegah Research

Figure 2. Indonesian palm oil production, consumption, exports and inventory



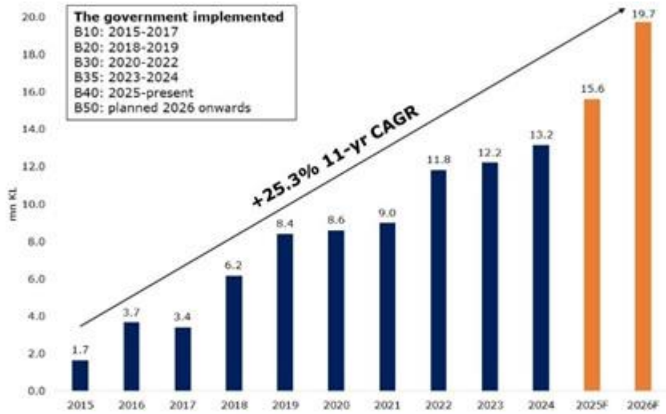
Source: GAPKI, Trimegah Research

Figure 3. Indonesia and Malaysia major listed CPO companies' palm tree age profile



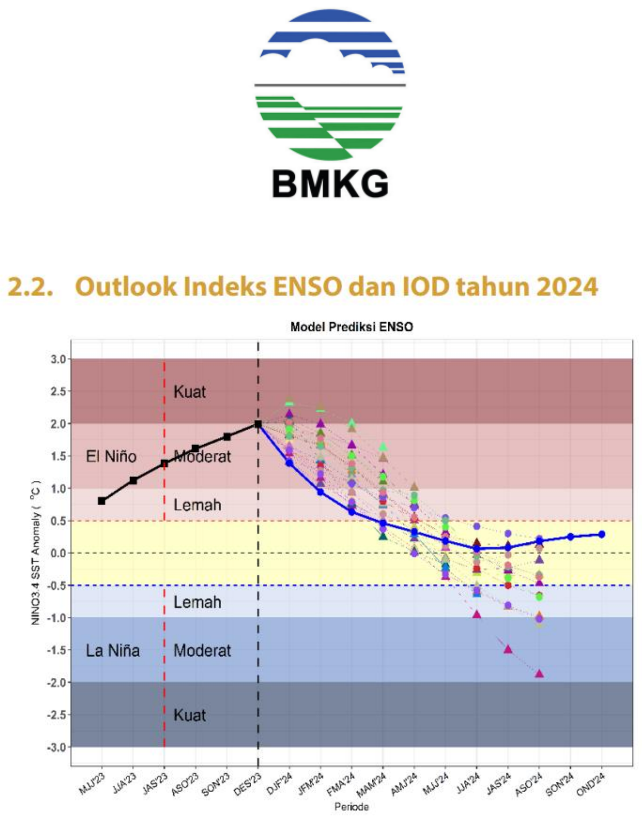
Source: Company, Trimegah Research

Figure 4. Indonesia's biodiesel production, FY15-26F



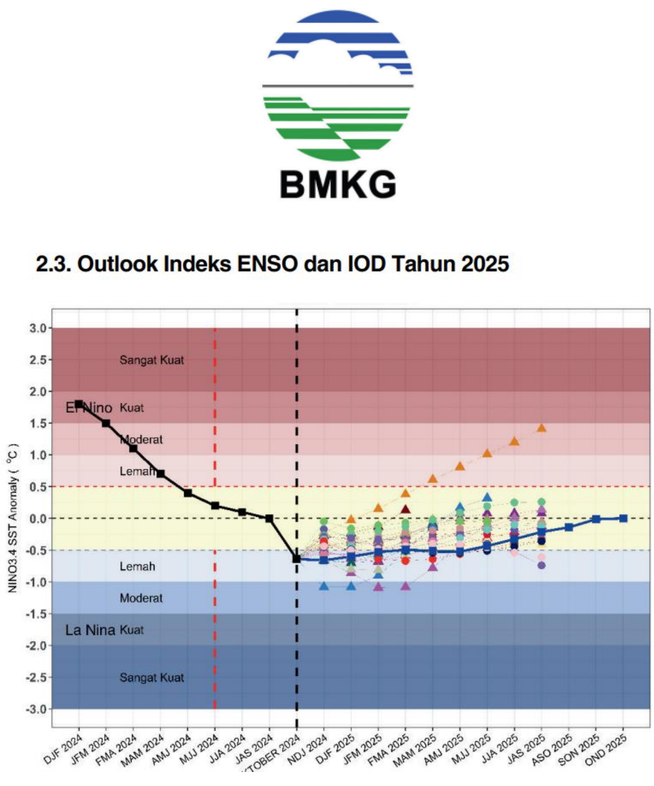
Source: Companies, Trimegah Research

Figure 5. Indonesia's rainfall condition, 2024



Source: BMKG, Trimegah Research

Figure 6. Indonesia's rainfall forecast, 2025



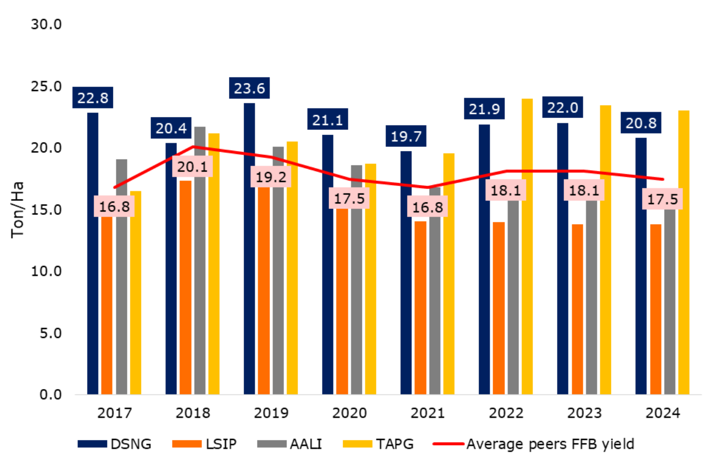
Source: BMKG, Trimegah Research

Figure 7. Changes in our forecast

Description	New			Previous			Changes		
	2025F	2026F	2027F	2025F	2026F	2027F	2025F	2026F	2027F
Total revenue	9,499	10,119	10,344	7,938	8,120	8,201	20%	25%	26%
Gross profit	3,265	3,091	3,004	2,644	2,754	2,782	23%	12%	8%
Operating profit	2,299	2,086	1,996	1,836	1,965	1,985	25%	6%	1%
Net profit	1,308	1,363	1,353	1,083	1,154	1,166	21%	18%	16%
Gross margin (%)	34%	31%	29%	33%	34%	34%			
Operating margin (%)	24%	21%	19%	23%	24%	24%			
Net margin (%)	14%	13%	13%	14%	14%	14%			

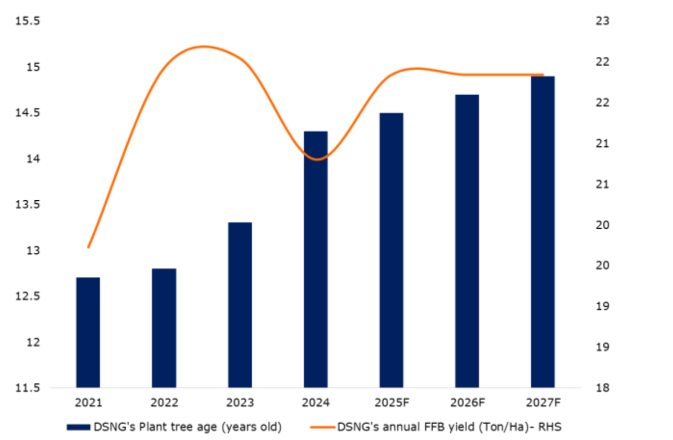
Source: Bloomberg, Trimegah Research

Figure 8. DSNG's annual FFB yield vs. peers



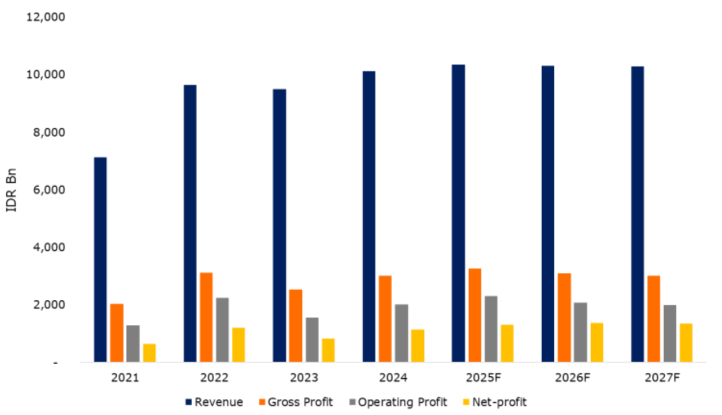
Source: Company, Trimegah Research

Figure 9. DSNG's plant tree age and annual FFB yield



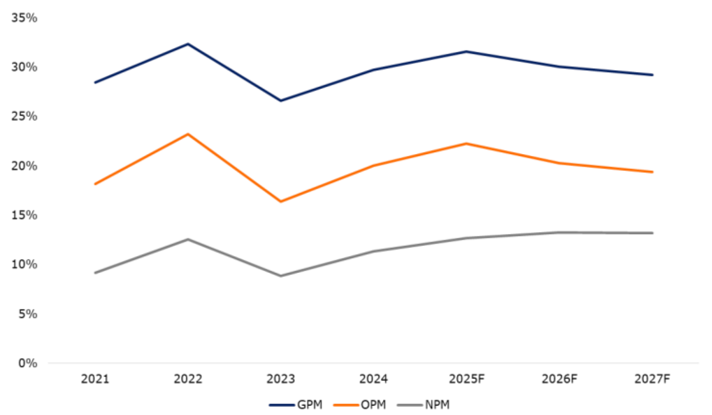
Source: Companies, Trimegah Research

Figure 10. DSNG's financial outlook



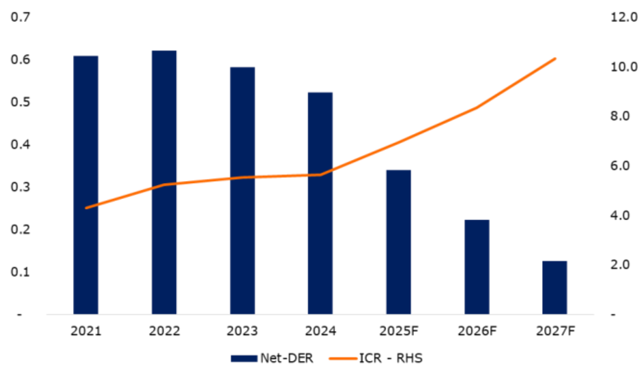
Source: Company, Trimegah Research

Figure 11. DSNG's financial margin



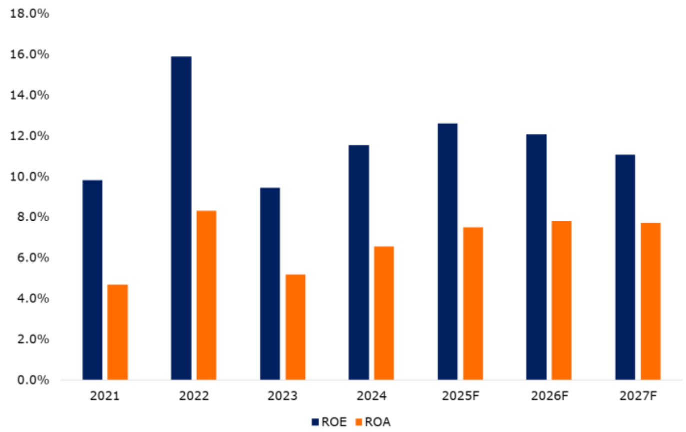
Source: Companies, Trimegah Research

Figure 12. DSNG's DER and ICR



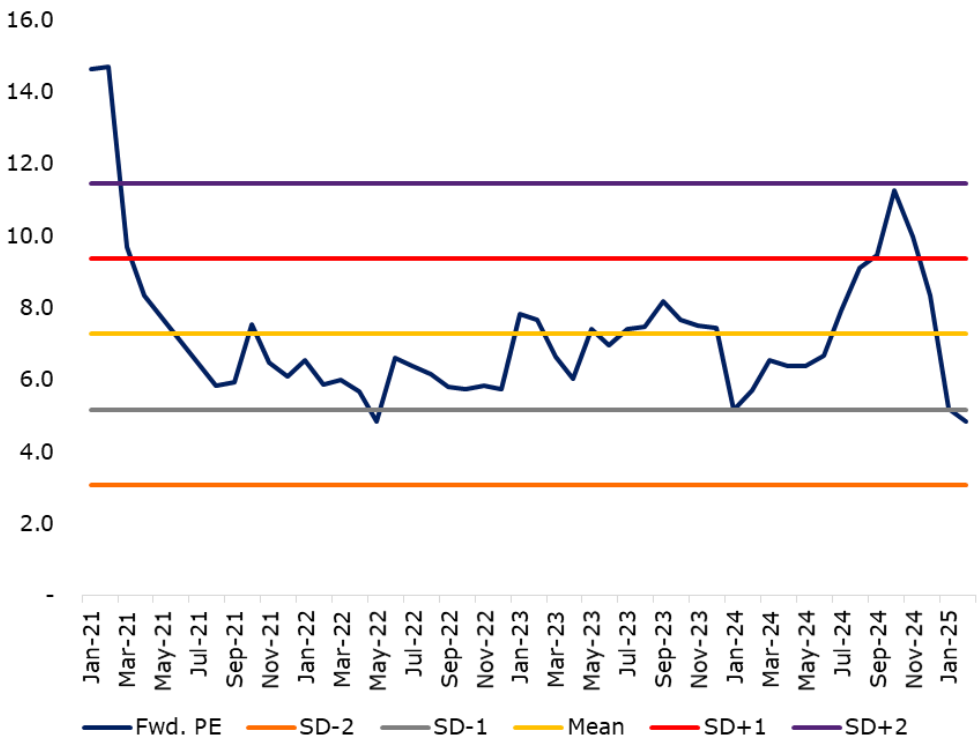
Source: Company, Trimegah Research

Figure 13. DSNG's ROE and ROA



Source: Companies, Trimegah Research

Figure 14. DSNG's fwd. PE band



Source: Bloomberg, Trimegah Research

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Company Ticker	Disclosure (as applicable)
DSNG	-

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