Plantation Sector

23 July 2025 | Equity Research | Plantation

Sector Update

OVERWEIGHT

12M PRICE PERFORMANCE

Source: Bloomberg

MARKET DATA

	YTD	1M	3M	12M
Absolute	6.4%	11.2%	15.4%	18.6%
JCI Return	3.7%	6.3%	12.3%	0.4%
Relative	2.6%	4.9%	3.1%	18.1%

Source: Bloomberg

STOCK COVERAGE

Ticker	Rating	CP (IDR)	TP (IDR)	P/B (x) 2025F
DSNG	BUY	1,065	1,330	0.7
LSIP	BUY	1,305	1,655	0.6
AALI	BUY	6,275	7,560	0.5

Source: Bloomberg, BCA Sekuritas

Muhammad Fariz
muhammad.fariz@bcasekuritas.co.id
+6221 23587222 ext 11103

Maintain Momentum

Inventory shortfall / surging imports boost CPO price

We remain of the view that CPO price will structurally "maintain flying speed", rising steadily going forward, propelled by shallow inventory, as production growth will be very limited: aging plantation profile and slow replanting won't keep up with surging consumption: demand will continue to outpace production and exports, remaining resilient. A potential shortfall is exacerbated by weather disruptions, thus further pressuring an upside for near-term CPO price: overall production volume will be impeded. The only downside scenario would be a global recession, which could cut into demand/consumption; alternatively, if the Government of Indonesia decided to lower its biodiesel mandates, which would flood the market.

So far this year, CPO price has shown resilience, and is looking to be elevated on a YoY Basis, despite the absence of severe weather disruptions. We thus conclude CPO price has already bottomed out (May 2025), tracking weaker imports. We project a sustained CPO price recovery from June, responding to a surge in imports from China and India; this trend can be expected to maintain momentum through mid-4Q25F.

9M24 CPO price averaged around MYR 4,016/t, a victim of weak 3Q24 CPO price (avg. MYR 4,001/t). This year we foresee a better CPO price trend: 7M25 CPO price averaged around MYR 4,360/t, and it looks like 3Q25 CPO price will continue its recovery, post-2Q25 correction. We thus expect 9M25F CPO price to hover around MYR 4,450-4,550/t, and therefore maintain a 2025F CPO price target of MYR4,700/t. Appraising the current pricing environment, we are confident this target is still achievable.

Among the main catalysts which support our view of a stronger 2H25F CPO price:

- Historically, each time China and India begin their import of CPO, its price tends to rise.
- China and India have both just started to repurchase CPO (Jun 2025); legacy patterns of both nations indicate that their purchase behavior customarily starts to ramp up in June, peaking around September, before gradually settling in 4Q.
- A check of Chinese CPO and Soybean oil stocks reveal inventory levels already depleted in May; they are just beginning to accumulate fresh inventory. So far, rising stock is relatively in line with historical purchase patterns, typically peaking around September.
- Basing our argument on GAPKI and MPOC forecast for 2025F:
    - Outlook for palm oil inventory in Indonesia and Malaysia continues a declining trajectory, a trend evident since 2017 (See Exhibit 1). Total end-2025F inventory is expected to shrink further, to 2.2Mt (-49% YoY).
    - Agg. Production (ID+MY) in 2025 is projected to grow by 1.4% YoY; most growth will come from Indonesia, with 1.6% YoY to 53.6Mt, while Malaysia might only see 0.8% YoY, to 19.5Mt. The main driver is production recovery, post El-Niño (2 years ago).
    - Agg. Consumption is expected to grow by 7.2% YoY to 28.8Mt, thus demonstrating resilience in demand for Palm Oil, steadily outpacing production growth. Indonesian demand remains a main driver, as it is expected to deliver 9.4% YoY to 26.1Mt, largely driven by Biodiesel mandates. Meanwhile, Malaysia is projected to decline by 10.2% YoY to 2.7Mt, in line with weaker industrial demand.
    - Exports should remain flattish, at 46.4Mt.

All in all, we view that most CPO companies will remain profitable for years to come, driven by higher pricing rather than any growth in production – capped by aging plantation profiles and interference from replanting, as consumption and resilient exports both head higher. We thus conclude that this is an optimal environment for a commodity price to enjoy long-term outperformance, with a minimal risk of inventory accumulation from higher production. Indeed, we might even see lower inventory dip lower, as consumption surges and production flattens.

Thus, companies with a relatively young plantation profile can begin to secure future production, through reinvesting their cash in replanting. They will be key beneficiaries over the long term, compared to those companies with a short-term view who lack any reliable replanting program, and simply keep on harvesting a positive cash flow.

Maintain Overweight

We thus reiterate our **OVERWEIGHT** rating for the Plantation Sector, with an identical pecking order of DSNG>LSIP>AALI. Our TP for **DSNG is IDR 1,330/sh**, and **LSIP at IDR 1,655/sh**, **AALI at IDR 7,560/sh**. DSNG remains our prime pick, due to our expectation of strong growth this year, potentially beating consensus and our 1H25 forecast. In fact, we might have to revise up our forecast, looking at stronger 2Q25 production recovery; high RSPO compliance will merit a valuation re-rating, considering a relatively youthful plantation age profile.

Pecking Order

Ticker		DSNG	LSIP	AALI
Sectors pecking order				
Valuations		PB	PB	PB
Ratings		BUY	BUY	BUY
Target price	**IDR**	**1,330**	**1,655**	**7,560**
PB Target	x	1.2	0.8	0.6
Current price	IDR	1,065	1,305	6,275
Up(down) side	**%**	**24.9**	**26.8**	**20.5**
Market cap.	IDR tn	11.3	8.9	12.1
PE (x)	2025F	5.4	4.4	8.1
PBV (x)	2025F	1.0	0.6	0.5
EV/Ha (USD/Ha)	2025F	11,087	1,433	3,103
EV/EBITDA (x)	2025F	3.8	0.8	3.4
Dividend yield (%)	2025F	2.2	5.8	4.0
RSPO Factory/Mill	%	81.82%	0.00%	0.00%
RSPO Land	%	77.49%	0.00%	0.00%
Avg. Age	Years	14.3	17.0	16.5
Plantation Area - Nucleus	'000 Ha	82.8	91.1	212.6
Revenue (IDR tn)	2025F	12.3	5.5	22.6
EBITDA (IDR tn)	2025F	4.0	2.6	3.1
Net Profit (IDR tn)	2025F	2.1	2.0	1.7
EPS (IDR)	2025F	195	298	771
DPS (IDR)	2025F	24	75	249
Dividend Payout (%)	2025F	22.0	0.3	45.4
BVPS (x)	2025F	1,106	2,063	12,600
sales growth (%)	2023	-1.4%	-8.6%	-5.0%
	2024	6.5%	8.9%	5.2%
	2025F	21.4%	21.3%	3.4%
	2026F	7.5%	2.9%	0.8%
earnings growth (%)	2023	-30.4%	-26.5%	-38.8%
	2024	36.0%	93.7%	40.5%
	2025F	81.3%	37.8%	15.6%
	2026F	16.3%	7.7%	6.2%

Exhibit 1. Malaysia and Indonesia: Supply and Demand Balance

Year	2017	2018	2019	2020	2021	2022	2023	2024	2025F
Agg. Production	61.9	67.0	71.7	70.8	69.4	69.7	73.4	72.1	73.1
Agg. Production YoY	19.5%	8.1%	7.1%	-1.3%	-1.9%	0.4%	5.3%	-1.8%	1.4%
Agg. Consumption	13.4	16.0	20.1	19.8	20.6	23.2	26.3	26.9	28.8
Agg. Consumption YoY	6.0%	20.1%	25.4%	-1.3%	3.9%	12.3%	13.6%	2.2%	7.2%
Agg. Exports	48.7	51.2	53.8	51.4	49.2	46.6	47.3	46.4	46.4
Agg. Exports YoY	14.2%	5.0%	5.2%	-4.5%	-4.2%	-5.4%	1.6%	-1.9%	-0.1%
Agg. Ending Stocks	6.8	6.5	6.6	6.1	5.7	5.8	5.4	4.3	2.2
Agg. Ending Stocks YoY	24.8%	-4.1%	2.0%	-7.2%	-6.3%	0.3%	-5.7%	-21.2%	-49.2%
ΔAgg. Stocks	1.3	-0.3	0.1	-	-0.4	0.0	-0.3	-1.2	-2.1

Sources: BCA Sekuritas, GAPKI, MPOC, Bloomberg

Exhibit 2. Malaysia's CPO

Year	2017	2018	2019	2020	2021	2022	2023	2024	2025F	6M24	% 6M/FY24	6M25	% 6M/FY25F	YoY
MY Planted Area Total (Mn Ha)	5.81	5.85	5.90	5.87	5.74	5.67	5.65	5.61	5.61	5.61		5.61		0.0%
MY Planted Area Mature (Mn Ha)	5.11	5.19	5.22	5.23	5.14	5.13	5.13	5.07	5.07	5.07		5.07		0.0%
MY Planted Area Immature (Mn Ha)	0.70	0.66	0.68	0.63	0.59	0.55	0.52	0.55	0.55	0.55		0.55		0.0%
MY Planted Area Profile														
Mature	88%	89%	88%	89%	90%	90%	91%	90%	90%	90%		90%		
Immature	12%	11%	12%	11%	10%	10%	9%	10%	10%	10%		10%		
MY Production/Ha	3.90	3.76	3.81	3.66	3.52	3.60	3.62	3.82	3.85	1.75		1.77		1.0%
MY Production/Ha YoY	12.6%	-3.5%	1.2%	-3.9%	-3.7%	2.2%	0.5%	5.5%	0.8%					
MY Production	19.9	19.5	19.9	19.1	18.1	18.5	18.6	19.3	19.5	8.9	45.9%	9.0	46.0%	1.0%
MY Production YoY	15.0%	-2.0%	1.8%	-3.6%	-5.4%	1.9%	0.5%	4.2%	0.8%					
MY Consumption	2.3	2.5	2.6	2.5	2.2	2.2	3.3	3.0	2.7	1.8	59.7%	1.7	62.4%	-6.0%
MY Consumption YoY	80.2%	10.9%	2.0%	-4.0%	-11.7%	-1.9%	54.1%	-9.3%	-10.2%					
MY Exports	16.6	16.5	18.5	17.4	15.6	15.7	15.1	16.9	16.9	7.5	44.6%	7.0	41.1%	-7.7%
MY Exports YoY	3.2%	-0.4%	12.0%	-5.8%	-10.5%	0.9%	-3.7%	11.7%	0.0%					
MY Ending Stocks	2.7	3.2	2.0	1.3	1.6	2.2	2.3	1.7	1.6	1.8		2.0		10.9%
MY Ending Stocks YoY	63.9%	17.7%	-37.5%	-37.0%	27.6%	36.0%	4.3%	-25.4%	-6.4%					
ΔStocks	1.1	0.5	-1.2	-0.7	0.3	0.6	0.1	-0.6	-0.1	-0.5		0.3		

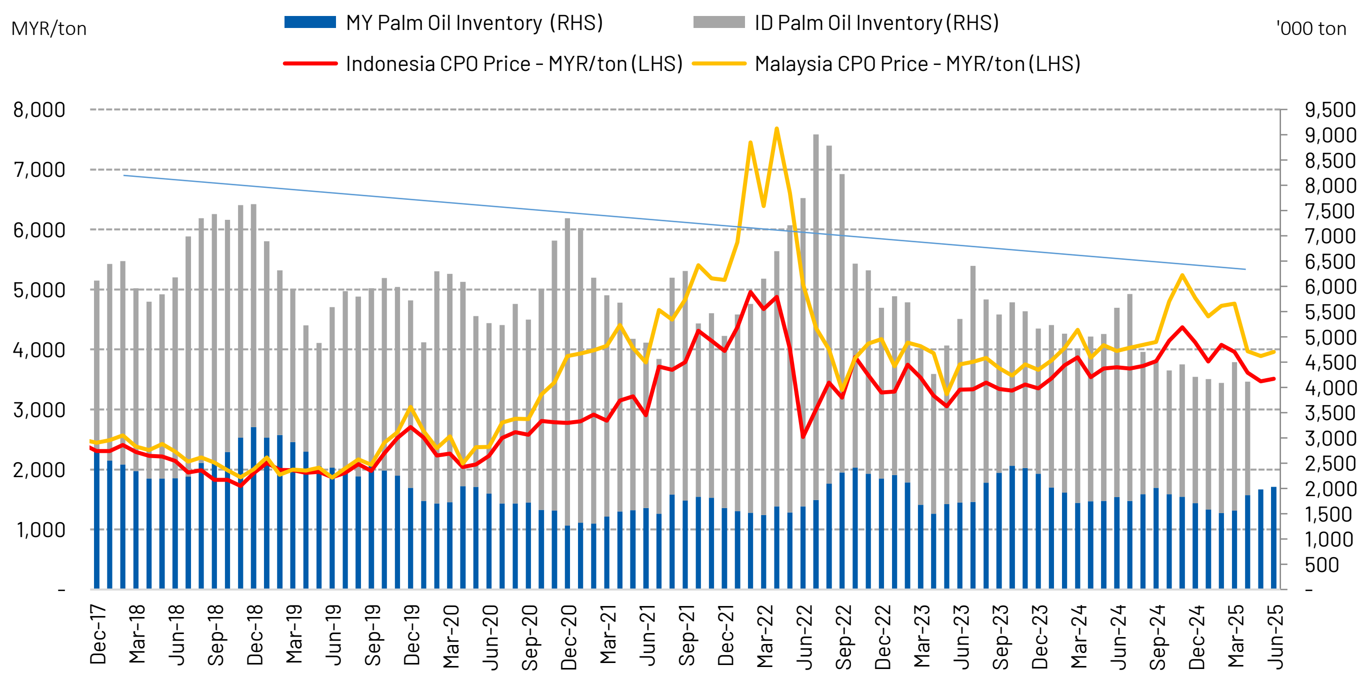
Sources: BCA Sekuritas, MPOC, Bloomberg

Exhibit 3. Indonesia's CPO

Year	2017	2018	2019	2020	2021	2022	2023	2024	2025F	4M24	% 4M/FY24	4M25	% 4M/FY25F	YoY
ID Planted Area Total (Mn Ha)	12.38	14.33	14.46	14.59	14.62	15.34	15.93	15.93	15.93	15.93		15.93		0.0%
ID Planted Area Mature (Mn Ha)	9.62	11.70	11.86	11.99	12.05	12.71	12.97	12.97	12.97	12.97		12.97		0.0%
ID Planted Area Immature (Mn Ha)	2.45	2.20	2.13	2.16	1.91	2.03	2.37	2.37	2.37	2.37		2.37		0.0%
ID Planted Area Damaged (Mn Ha)	0.31	0.43	0.47	0.43	0.66	0.60	0.58	0.58	0.58	0.58		0.58		0.0%
ID Planted Area Profile														
Mature	78%	82%	82%	82%	82%	83%	81%	81%	81%	81%		81%		
Immature	20%	15%	15%	15%	13%	13%	15%	15%	15%	15%		15%		
Damaged	3%	3%	3%	3%	5%	4%	4%	4%	4%	4%		4%		
ID Production/Ha	4.37	4.05	4.37	4.30	4.26	4.03	4.23	4.07	4.13	1.38		1.39		0.8%
ID Production/Ha YoY	11.9%	-7.2%	7.9%	-1.6%	-1.1%	-5.3%	4.9%	-3.8%	1.6%					
ID Production	42.0	47.4	51.9	51.6	51.3	51.2	54.8	52.8	53.6	17.9	33.9%	18.0	33.7%	0.8%
ID Production YoY	21.7%	12.9%	9.3%	-0.5%	-0.6%	-0.1%	7.0%	-3.8%	1.6%					
ID Consumption	11.1	13.5	17.5	17.4	18.4	21.0	23.0	23.9	26.1	7.6	31.8%	8.2	31.3%	7.6%
ID Consumption YoY	-2.3%	22.0%	29.8%	-0.9%	6.2%	14.0%	9.4%	3.9%	9.4%					
Food&Oleochemical	-	9.7	11.7	10.1	11.1	12.1	12.6	12.4	12.5	4.0	32.2%	4.1	32.9%	2.9%
ID Food&Oleochemical YoY	0.0%	0.0%	20.8%	-13.3%	9.4%	9.1%	3.9%	-1.2%	0.7%					
Food	-	8.7	9.9	8.4	9.0	9.9	10.3	10.2		3.3		3.4		
Oleochemical	-	1.0	1.8	1.7	2.1	2.2	2.3	2.2		0.7		0.7		
Biodiesel	-	3.8	5.8	7.2	7.3	8.3	10.4	11.4	13.6	3.6	31.5%	4.1	29.9%	12.8%
ID Biodiesel YoY	0.0%	0.0%	52.5%	23.9%	1.6%	13.1%	25.3%	10.0%	18.8%					
ID Exports	32.2	34.7	35.4	34.0	33.7	30.9	32.2	29.5	29.5	9.7	32.9%	9.4	31.9%	-3.0%
ID Exports YoY	20.8%	7.8%	1.9%	-3.8%	-1.0%	-8.3%	4.3%	-8.4%	-0.1%					
ID Ending Stocks	4.0	3.3	4.6	4.9	4.1	3.6	3.1	2.6	0.6	3.7		3.0		-18.6%
ID Ending Stocks YoY	7.3%	-18.9%	41.0%	5.9%	-15.2%	-13.7%	-11.8%	-18.1%	-77.6%					
ΔStocks	0.3	-0.8	1.3	0.3	-0.7	-0.6	-0.4	-0.6	-2.0	0.6		0.5		-21.1%

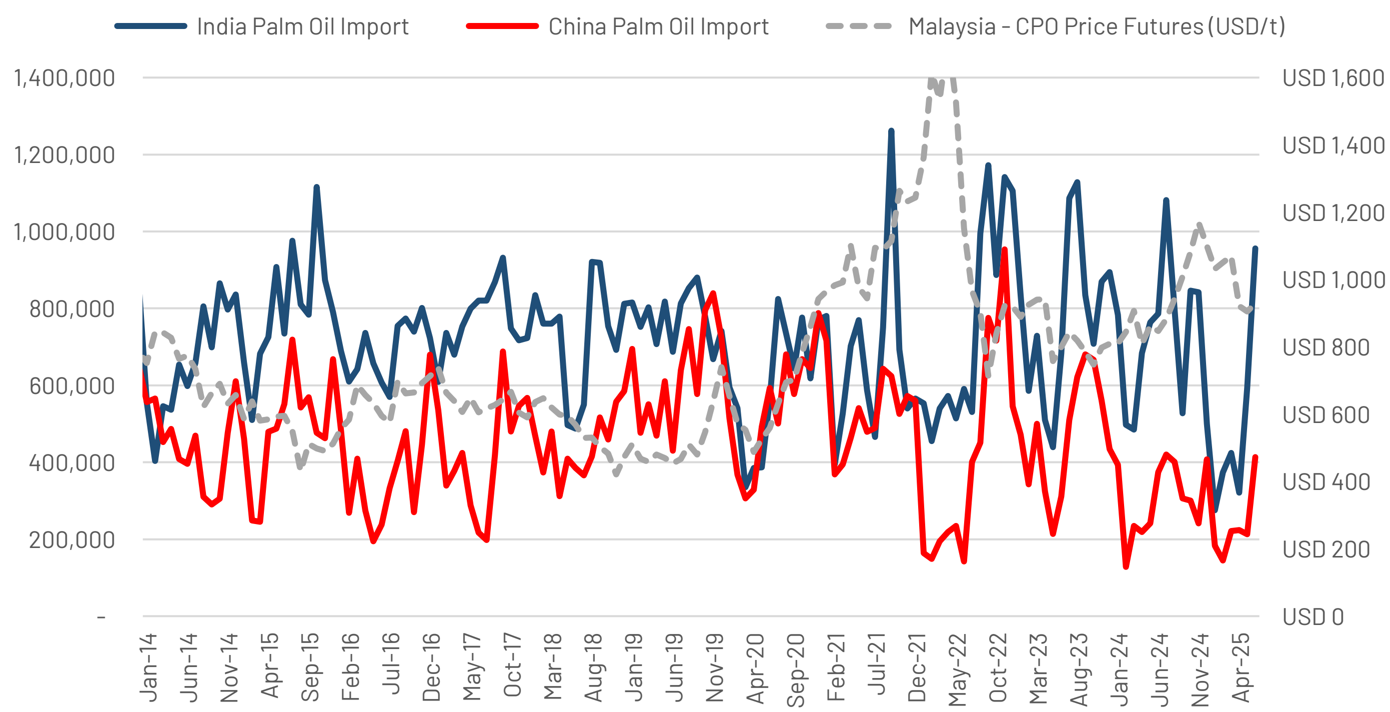
Sources: BCA Sekuritas, GAPKI, Bloomberg

Exhibit 4. Malaysia vs. Indonesia: CPO Inventory keeps trending downward



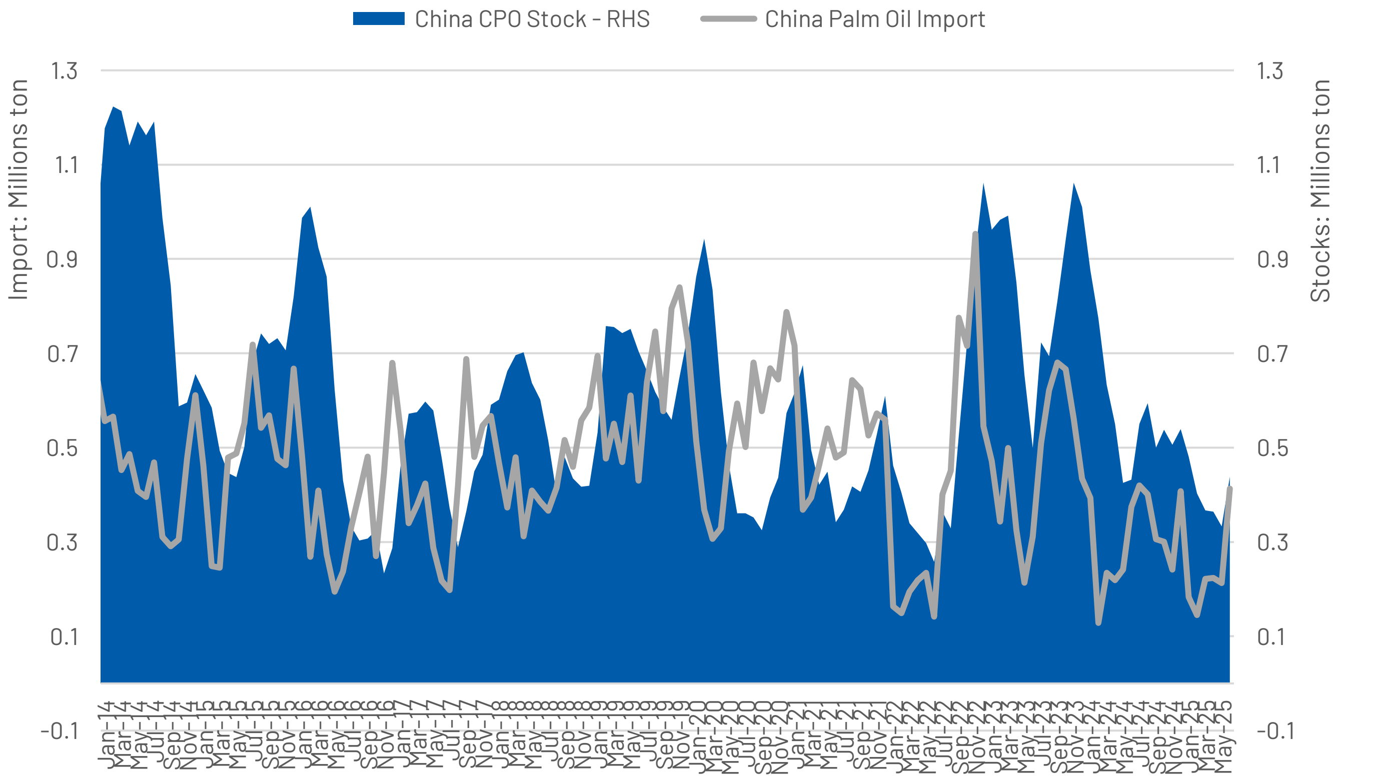
Sources: BCA Sekuritas, Company

Exhibit 5. China and India CPO Imports



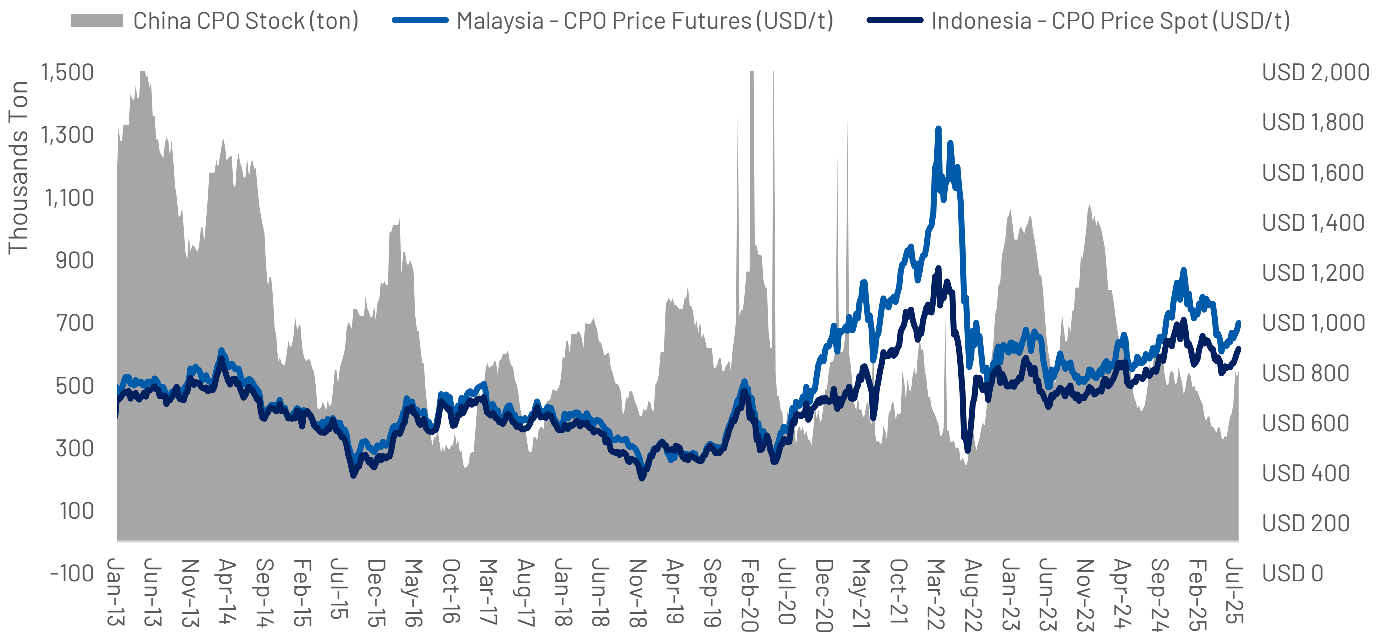
Sources: BCA Sekuritas, Company

Exhibit 6. China CPO Imports and stock



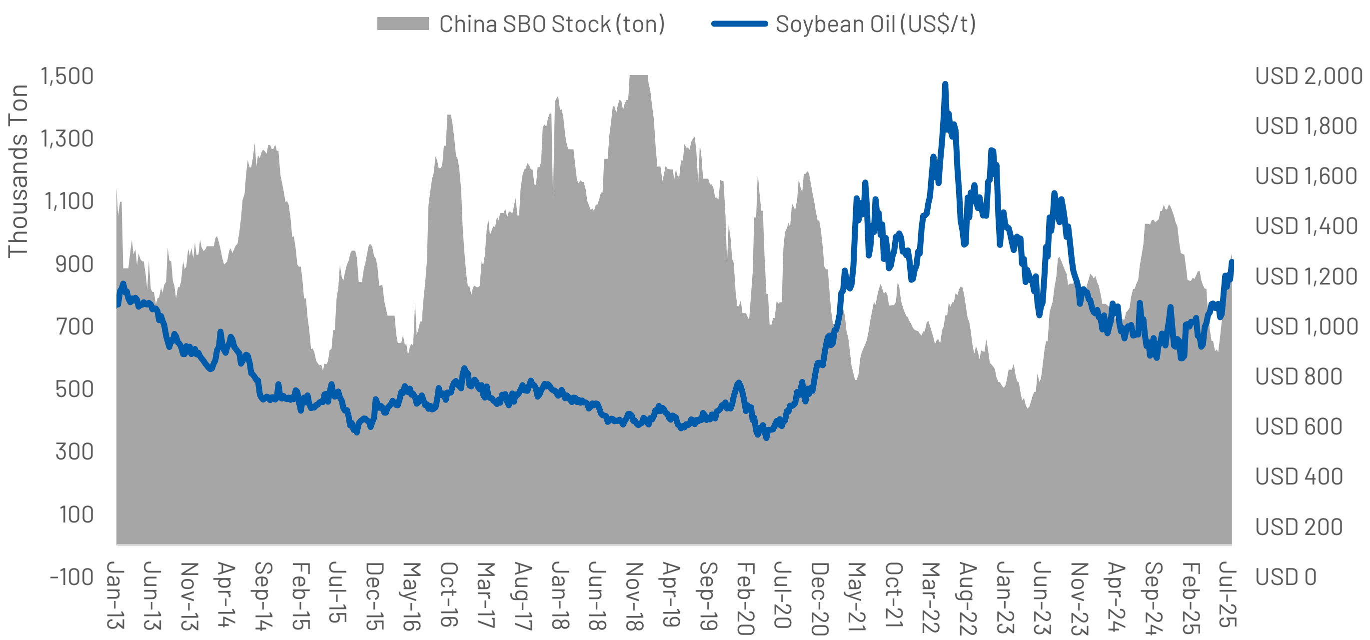
Sources: BCA Sekuritas, Company

Exhibit 7. China CPO stock



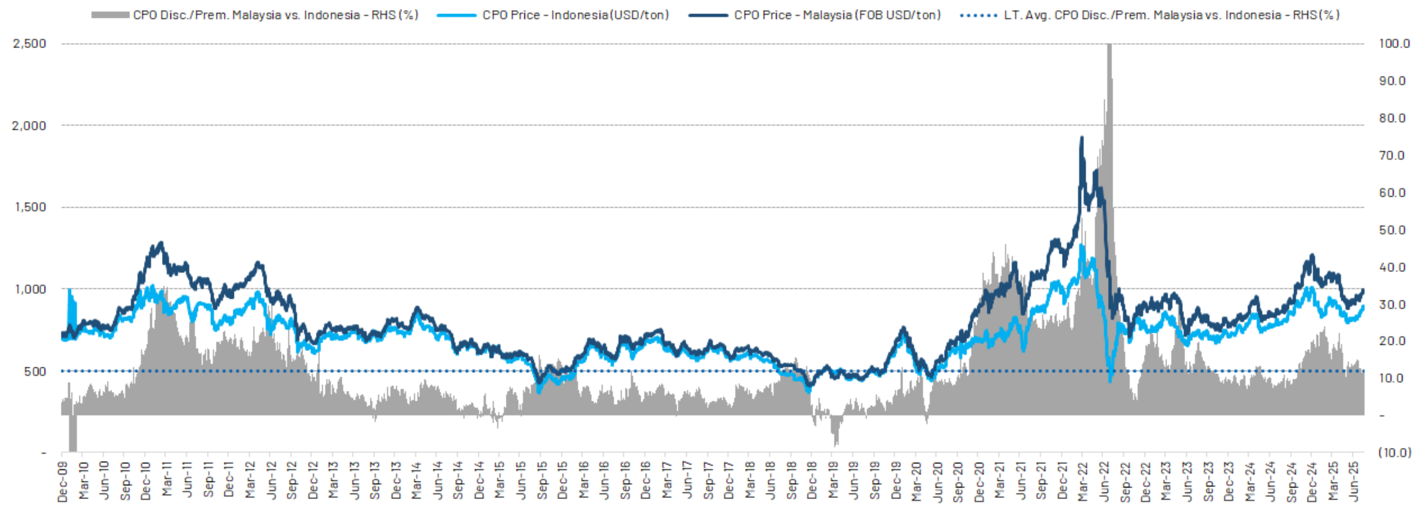
Sources: BCA Sekuritas, Company

Exhibit 8. **China Soybean oil stocks**



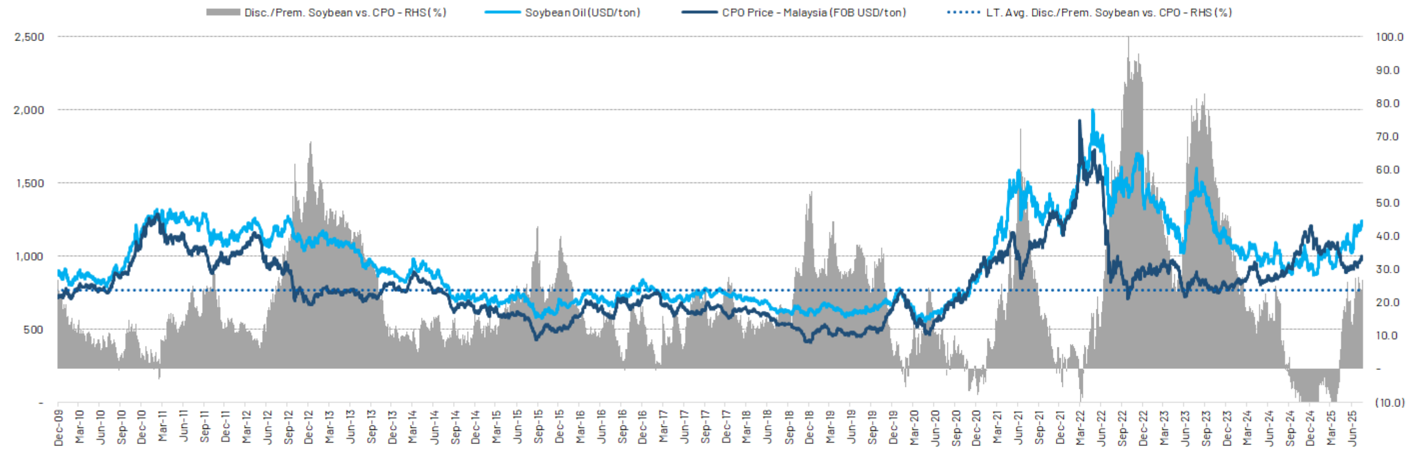
Sources: BCA Sekuritas, Company

Exhibit 9. Malaysia vs. Indonesia CPO prices



Sources: BCA Sekuritas, Company

Exhibit 10. CPO vs. Soybean oil prices



Sources: BCA Sekuritas, Company

Exhibit 11. Peer Comparison

Ticker	Company Name	Price	Mkt Cap (USDmn)	RSPO (%) Mills	RSPO (%) Area	P/E (x) 2024	P/E (x) 2025F	P/E (x) 2026F	EPS Growth (%) 2024	EPS Growth (%) 2025F	EPS Growth (%) 2026F	EV/EBITDA (x) 2024	EV/EBITDA (x) 2025F	EV/EBITDA (x) 2026F	EBITDA Margin (%) 2024	EBITDA Margin (%) 2025F	EBITDA Margin (%) 2026F	P/B (x) 2024	P/B (x) 2025F	P/B (x) 2026F	ROE (%) 2024	ROE (%) 2025F	ROE (%) 2026F	Div Yield (%) 2024	Div Yield (%) 2025F	Div Yield (%) 2026F	EV/Ha (USD/ha) 2025
IOI MK	IOI Corp Bhd	3.8	4,940	100	100	16.3	18.1	17.0	(0)	16	6	14.2	13.3	12.8	15.7	16.7	17.5	2.0	1.9	1.8	12.3	10.8	1.8	2.7	2.8	3.0	34,569
ANJT IJ	Austindo Nusantara Jaya	1,760.0	367	100	99	19.8	-	-	93	-	-	6.5	-	-	24.8	-	-	0.9	-	-	0.9	0.9	-	-	-	-	10,016
RE/ LN	REA Holdings PLC	88.3	49	100	84	2.9	-	-	-	(100)	200	3.5	3.3	3.1	32.8	37.9	38.5	0.2	0.2	0.2	-	n.a	-	-	-	-	7,840
HAPL MK	Hap Seng Plantations Holc	1.9	319	100	81	7.9	9.5	10.1	124	(23)	(6)	3.2	3.6	3.7	45.9	35.9	34.4	0.7	0.7	0.7	0.7	0.7	0.7	6.6	6.1	5.9	7,474
KLK MK	Kuala Lumpur Kepong Bhc	20.0	4,725	82	78	35.3	18.4	17.0	(30)	100	9	12.0	10.5	10.1	13.2	13.1	13.2	1.6	1.7	1.6	1.6	1.6	1.7	3.0	3.0	3.2	27,251
DSNG IJ	Dharma Satya Nusantara	1,055.0	694	82	77	8.7	6.4	6.5	36	54	(2)	4.0	4.6	4.7	30.2	30.8	29.8	1.1	1.0	0.9	1.1	1.1	1.0	2.3	2.6	3.7	11,998
SIP BB	Sipef NV	62.4	714	90	75	11.5	9.4	9.0	(16)	16	5	4.2	4.5	4.4	33.3	32.4	36.9	0.9	0.8	0.7	-	-	-	3.2	3.2	3.3	9,718
BAL SP	Bumitama Agri Ltd	0.8	1,046	59	61	7.9	8.3	8.3	(7)	(6)	(0)	4.8	5.1	5.0	27.6	26.2	27.0	1.3	1.2	1.1	16.6	15.6	1.1	8.1	7.1	6.9	10,726
GGR SP	Golden Agri-Resources Lt	0.3	2,345	-	55	6.5	9.8	9.8	84	(30)	-	-	3.2	3.2	8.9	16.9	17.6	-	0.5	0.4	-	19.7	0.4	3.2	-	-	13,423
SDG MK	SD Guthrie Bhd	4.8	6,990	100	49	13.0	19.5	19.0	16	(22)	2	6.5	9.8	9.7	23.9	20.3	20.2	1.8	1.6	1.5	13.5	8.7	1.5	3.4	3.0	3.1	19,735
GENP MK	Genting Plantations Bhd	5.0	954	77	48	13.2	13.0	13.3	27	7	(3)	7.0	7.3	7.6	30.7	26.2	24.9	0.9	0.8	0.8	6.6	6.8	0.8	2.4	4.5	4.3	10,199
FR SP	First Resources Ltd	1.6	1,788	64	45	7.7	7.5	7.5	70	3	-	4.6	4.8	4.8	40.6	40.8	41.5	1.4	1.2	1.1	18.3	16.7	1.1	6.3	7.1	6.5	12,073
TAPG IJ	Triputra Agro Persada	1,310.0	1,615	23	30	7.3	7.8	7.4	94	7	5	4.0	6.8	6.5	38.5	35.8	36.2	2.2	2.2	2.0	31.1	27.7	2.0	11.6	8.2	8.7	11,601
BWPT IJ	Eagle High Plantations	103.0	202	43	22	11.4	-	-	47	-	-	3.8	-	-	32.8	-	-	1.3	-	-	11.9	-	-	-	-	-	5,334
MPE LN	MP Evans Group PLC	1,265.0	832	83	6	10.3	10.6	10.8	70	(3)	(2)	4.4	6.2	6.3	40.4	38.6	37.5	1.7	-	-	-	-	-	4.2	3.7	3.9	12,916
Avg. RSPO Sector			**27,580**	**77.6**	**63.6**	**15.8**	**14.7**	**14.1**	**22**	**14**	**4**	**7.7**	**8.6**	**8.4**	**22.9**	**21.7**	**22.0**	**1.5**	**1.4**	**1.3**	**9.9**	**9.6**	**1.3**	**4.0**	**3.5**	**3.6**	**20,441**
WIL SP	Wilmar International Ltd	3.0	13,762	100	-	12.4	10.4	9.3	(23)	19	12	10.1	9.8	8.9	5.4	5.2	5.3	0.7	0.7	0.7	5.8	6.9	0.7	5.4	5.5	6.5	162,113
FGV MK	FGV Holdings Bhd	1.3	1,007	45	-	14.5	17.1	15.5	171	-	11	5.7	6.1	6.1	6.4	6.4	6.5	0.8	0.8	0.8	5.5	5.4	0.8	3.8	3.2	3.2	6,552
AALI IJ	Astra Agro Lestari	6,350.0	759	-	-	10.2	11.1	10.8	9	(4)	2	2.7	3.9	3.8	14.2	12.0	11.9	0.5	0.5	0.5	5.3	4.7	0.5	4.2	4.3	4.7	3,029
LSIP IJ	London Sumatra Indonesi:	1,320.0	559	-	-	5.6	7.9	10.8	94	(23)	(27)	0.6	1.6	2.1	41.0	35.4	27.5	0.7	0.7	0.6	13.0	9.3	0.6	4.9	5.7	6.2	1,787
SPLB MK	Sarawak Plantation Bhd	2.5	149	-	-	7.4	8.9	9.3	43	(14)	(5)	3.2	4.3	4.5	25.8	21.4	20.7	0.9	0.9	0.8	12.2	10.1	0.8	7.9	6.0	5.3	3,627
TAH MK	Ta Ann Holdings Bhd	3.8	354	-	-	8.9	9.1	9.1	15	1	(0)	5.1	4.1	4.2	18.4	22.1	21.3	0.9	0.8	0.8	9.6	9.6	0.8	7.9	7.7	7.3	7,676
UMR MK	United Malacca Bhd	5.3	237	-	-	11.5	10.5	11.8	58	10	(12)	4.2	5.2	6.9	31.5	29.9	21.5	0.7	-	-	6.6	14.1	-	2.3	3.0	2.5	7,954
JPG MK	Johor Plantations Group E	1.2	658			-	11.7	11.7	-	(7)	-	6.3	7.8	7.9	34.9	34.5	33.4	1.1	1.1	1.0	11.1	9.3	1.0	0.8	4.3	4.2	-
Avg. Non RSPO Sector			**17,486**	**81.3**	**-**	**11.6**	**10.8**	**9.9**	**(4)**	**14**	**9**	**8.9**	**8.8**	**8.1**	**8.9**	**8.5**	**8.1**	**0.7**	**0.7**	**0.7**	**6.4**	**7.1**	**0.7**	**5.1**	**5.3**	**6.1**	**128,444**

Sources: BCA Sekuritas, Company

Equity Research
research@bcasekuritas.co.id

Institutional Equity Market
ecm@bcasekuritas.co.id

Sales Equity Market
sales@bcasekuritas.co.id

PT BCA Sekuritas
Menara BCA – Grand Indonesia, 41st Floor
Jl. MH Thamrin No. 1, Jakarta 10310
Tel. +62 21 2358 7222
Fax. +62 21 2358 7250/300

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