

Dharma Satya Nusantara

Best growth outlook

Best growth profile

DSNG's 108k of plantation area (of which, 84k is nucleus) is only 9 years old, ensuring plenty of growth ahead from yield progression. We expect FFB (Fresh Fruit Bunches) from nucleus to be 1.8mn tons next year, a 9% CAGR helped by yield progression and inorganic expansion last year. DSNG also has good operation, as attested by its historically high 5.5tons CPO yield/ha (in 2018), higher than Indonesian plantation average of 4.4tons/ha despite DSNG plantation's younger age.

Expect strong EBITDA growth next year

We expect DSNG's EBITDA to grow by 61% on the back of 13.3% revenue growth and significant margin expansion due to higher CPO price assumption from average of RM2120/ton this year to RM2550/ton next year. We expect net profit to rebound strongly from IDR299bn this year to IDR880bn next year, which implies an EPS of IDR83/share.

Initiate with a Buy and TP

We apply a target PE of 10.4x, based on a 30% discount to AALI's target PE. Based on this 10.4x 2020 PE, we arrive at target price of IDR860/share, or a 135% upside from yesterday's closing price. DSNG currently trades at 4.4x 2020PE.

Buy (Initiation)

Target Price IDR860 (135%)
 Previous TP -
 Current Price IDR366



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Stock Data & Indices

Bloomberg Code	DSNG.IJ
JCI Member	JAKAGRI
MSCI Small Cap Indonesia Index	No
JII	No
LQ45	No
Kompas 100	No

Key Data

Issued Shares (mn)	10,599.8
Free Float (est)	33.2
Mkt. Cap (IDRbn)	3,879.5
Mkt. Cap (USDmn)	2763
ADTV 6 months (IDRbn)	0.3
52 Wk-range	420/308

Performance (%)

	YTD	1m	3m	12m
Absolute	-10.7	15.1	5.2	0.5
Relative to JCI	-10.9	12.7	7.3	-4.5

Company Data

Year end Dec	2017	2018	2019F	2020F	2021F
Revenue (Rp bn)	5,160	4,762	5,601	6,350	6,134
EBITDA (Rp bn)	1,403	1,178	1,209	1,944	1,771
Net Profit (Rp bn)	576	421	299	880	758
EPS (Rp)	54	40	28	83	71
EPS Growth (%)	130	-27	-29	195	-14
EV/EBITDA	5.4	8.4	8.0	4.5	4.6
P/E (x)	6.7	9.2	13.0	4.4	5.1
P/BV (x)	1.2	1.1	1.0	0.8	0.7
Div. Yield (%)	0.0	2.2	2.2	1.5	4.5

Income Statement

Year end Dec (Rp bn)	2017	2018	2019F	2020F	2021F
Revenue	5,160	4,762	5,601	6,350	6,134
Gross Profit	1,724	1,543	1,679	2,484	2,250
Op. Profit	1,170	935	963	1,680	1,489
EBITDA	1,403	1,178	1,209	1,944	1,771
Net int. inc./ (exp)	-265	-274	-500	-403	-387
Other inc./ (exp.)	30	-50	-34	-14	-14
Pre-tax profit	935	611	429	1,264	1,088
Tax	-274	-179	-125	-370	-318
Minority Int.	-3	-7	-5	-14	-12
Net profit	576	421	299	880	758

Balance Sheet

Year end Dec (Rp bn)	2017	2018	2019F	2020F	2021F
Cash and equivalents	381	524	441	206	511
Bearer plants	2,768	4,274	4,254	4,304	4,354
Net fixed asset	2,051	2,999	3,105	3,191	3,259
Other non-current assets	3,252	3,943	3,351	4,037	3,972
Total Asset	8,452	11,739	11,150	11,737	12,095
ST debt	960	1,303	1,303	348	235
Other curr liab	765	1,018	1,018	1,973	2,086
LT debt	3,100	5,211	4,951	4,703	4,468
Other LT Liab	313	548	0	0	0
Total Liabilities	5,138	8,080	7,272	7,024	6,789
Minority interest	80	88	93	106	118
Shareholders' Equity	3,234	3,571	3,786	4,606	5,188

Cash Flow

Year end Dec (Rp bn)	2017	2018	2019F	2020F	2021F
Net profit	576	421	299	880	758
Depr. / amort.	232	243	246	264	282
Chg in working cap	31	-15	-23	32	-63
Others	256	-350	0	0	0
CF operations	1,095	298	522	1,176	976
Capex	-310	-1,697	-193	-150	-150
Others	-399	313	0	1	2
CF investing	-709	-1,385	-193	-149	-148
Net change in debt	-336	2,453	-261	-1,203	-348
Equity raised	0	0	0	0	0
Dividends	0	-83	-84	-60	-176
Others	75	-1,109	0	0	0
CF financing	-261	1,261	-345	-1,262	-524
Net cash flow	125	174	-15	-235	305
Others	0	0	0	0	0
Cash at BoY	157	282	456	441	206
Cash at EoY	282	456	441	206	511

Ratio Analysis

Year end Dec	2017	2018	2019F	2020F	2021F
Profitability					
Gross margin (%)	33.4	32.4	30.0	39.1	36.7
Op. margin (%)	22.7	19.6	17.2	26.5	24.3
EBITDA margin (%)	27.2	24.7	21.6	30.6	28.9
Net margin (%)	11.2	8.8	5.3	13.9	12.3
ROAE (%)	19.6	12.4	8.1	21.0	15.5
ROAA (%)	6.9	4.2	2.6	7.7	6.4
Stability					
Current ratio (x)	1.1	1.0	1.0	1.0	1.0
Net debt to equity (x)	1.1	1.7	1.5	1.1	0.8
Net Debt to EBITDA (x)	2.6	5.1	4.8	2.5	2.4
Interest coverage (x)	4.0	3.0	1.8	3.9	3.7
Efficiency					
Receivables (days)	22.7	30.2	25.8	25.9	27.1
Inventory (days)	61.6	97.4	77.9	76.2	82.8
A/P (days)	67.9	84.3	65.2	71.6	72.9

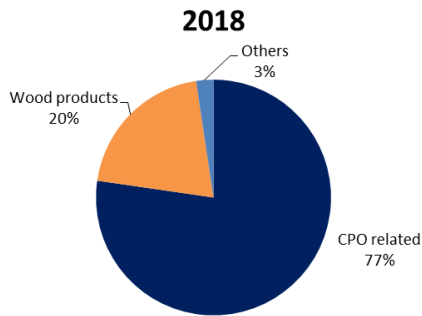
Company Background

Dharma Satya Nusantara (DSNG) is a CPO and wood processing company which has 108,000 ha of total planted area. Currently, DSNG's mill capacity is running at 510 tonnes/hour.

Major Shareholders

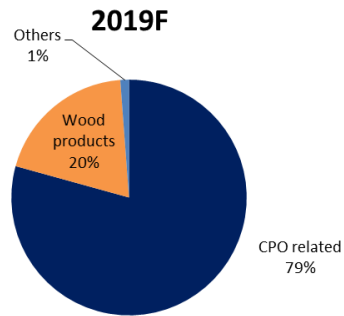
Triputra Investindo Arya	27.56%
Krishna Kapital	20.32%
Investama	20.32%
Tri Nur Cakrawala	7.44%
Mitra Aneka Guna	6.26%
Arianto Oetomo	5.44%
Andrianto Oetomo	5.43%
Public	33.24%

Figure 26. Revenue breakdown, 2018



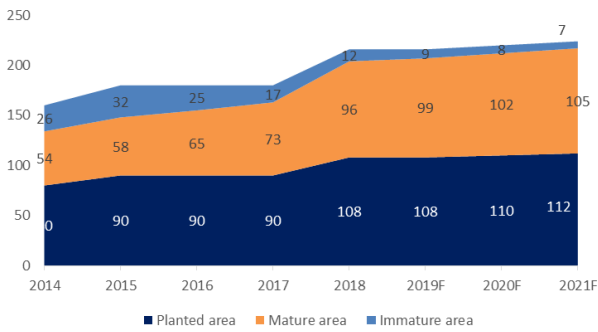
Source: Company

Figure 27. Revenue breakdown, 2019F



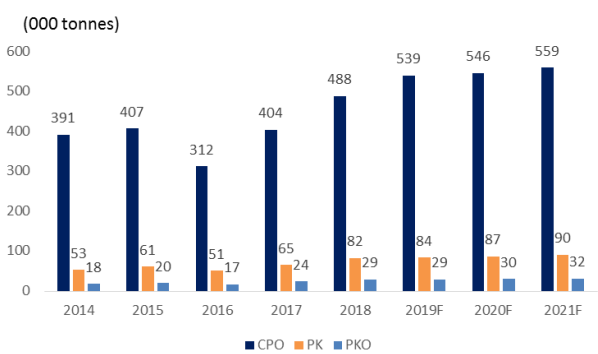
Source: Company, Trimegah research

Figure 28. DSNG's plantation area, 2014-2021F



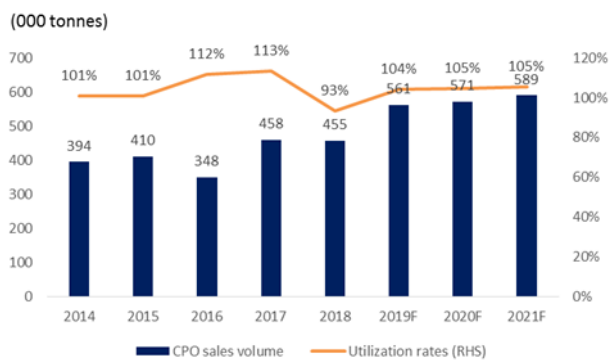
Source: Company, Trimegah research

Figure 29. Mill productions, 2014-2021F



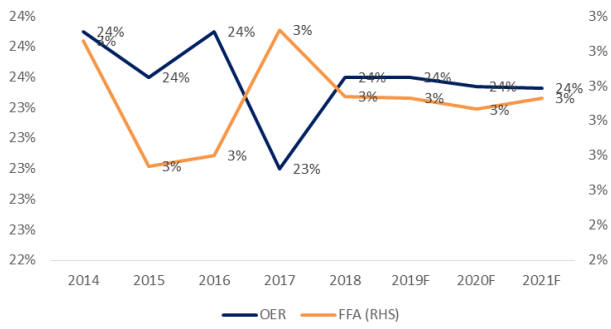
Source: Company

Figure 30. CPO sales volume and utilization rates, 2014-2021F



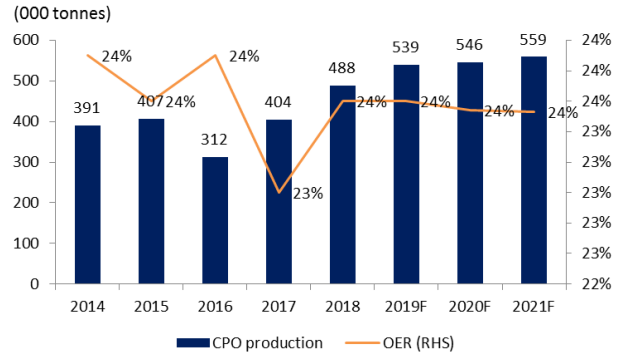
Source: Company

Figure 31. Mill efficiency, 2014-2021F



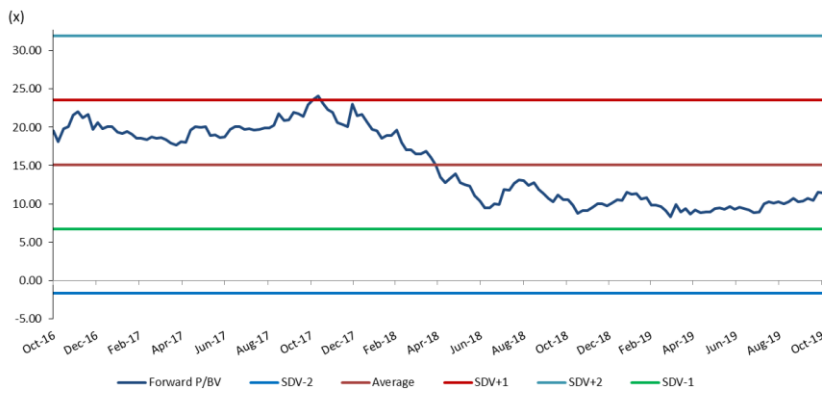
Source: Company

Figure 32. CPO production and extraction rate



Source: Company

Figure 33. 3-years historical forward P/E



Source: Company

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- Neutral : Share price is expected to trade within the range of 0%-10% over the next 12 months
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- Not Rated : The company is not within Trimegah research coverage

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Company Ticker	Disclosure (as applicable)
LSIP	-
AALI	-
DSNG	-

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