

Tuesday, 09 March 2021

BUY
Maintain

Last price (IDR) 565
Target Price (IDR) 900
Upside/Downside +59.3%
Previous Target Price (IDR) 850

Stock Statistics

Sector Plantations
Bloomberg Ticker DSNG IJ
No of Shrs (mn) 10,600
Mkt. Cap (IDRbn/USDmn) 5,989/420
Avg. daily T/O (IDRbn/USDmn) 10.2/0.7

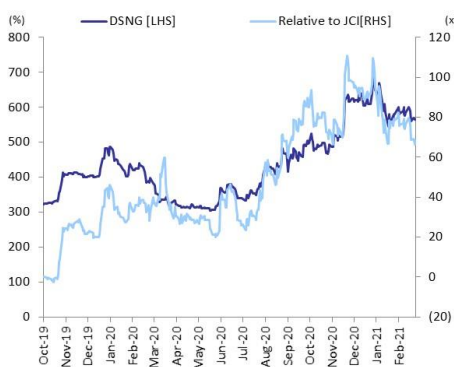
Major shareholders (%)

Triputra Investindo Arya 27.6
Krishna Kapital Investama 14.6
Estimated free float 29.4

EPS Consensus (IDR)

	2021F	2022F	2023F
Danareksa	78.0	91.1	90.3
Consensus	39.4	54.5	n/a
Danareksa/Cons	97.7	67.1	67.1

DSNG relative to JCI Index



Source : Bloomberg



Andreas Kenny

(62-21) 5091 4100 ext.3509

andreas.kenny@danareksa.co.id

Dharma Satya Nusantara (DSNG IJ)

Ushering in a Prosperous Phase

DSNG posted impressive net income of IDR476.6bn in FY20 (+164.4% yoy) with IDR338.8bn of net income in 4Q20 (+189.1% yoy), a country mile ahead of our figure and the consensus. The profitability was driven by a higher CPO price of IDR9,065/kg (+31.9% yoy, 21.7% qoq) in 4Q20, all leading to a IDR8,141/kg (+25.6% yoy) 2020 average price, more than enough to compensate for -3.8% yoy CPO sales volume. We raise our 2021 CPO average price assumption to MYR3,200/ton (prev: MYR2,900/ton) which leads to an IDR9k/kg effective price and thus 2021F forecast earnings of IDR826.2bn (+73.3% yoy, +69.3% from prev), almost double the consensus figure. **Maintain BUY with a higher TP of IDR900 (+IDR50).**

In-line sales, far above net income. Aided by the price at IDR8.1k/kg in 2020 (+25.6% yoy) cancelling out -3.8% CPO sales of 640.4k tons. 4Q20 sales were driven by the price surging to IDR9.1k/kg (+31.9% yoy and 21.7% qoq) while CPO sales volume of 206.9k tons was +2.5% yoy and 68.1% qoq as production recovered. All in all, the IDR6.7tn (+16.8% yoy) of sales were above our low-bar estimate and in-line with consensus estimates. Margins surged across the board, starting from the GPM inching up to 26.1% in 2020 from 25.5% in 2019, driven by the price surge and EBIT of IDR1.0tn (+45.8% yoy) reflecting a 15.4% margin (+3.1p.p yoy) percolating to IDR476.6bn (+164.4% yoy) of earnings, far ahead of our estimate and the consensus at 125.8% and 193.8%, respectively.

Our 2021F earnings estimate is raised by +69.3%. We factor in a higher CPO price assumption of MYR3,200/ton in 2021 (prev: MYR2,900/ton) leading to an effective price of IDR9,023/kg (+10.8% yoy, +13.3% vs prev). Due to relatively favorable weather we factor in a lower FFB price and also 18.3% yoy nucleus production growth, with 12.1% CPO production growth. These all lead to net income of IDR826.2bn (+73.3% yoy and +69.3% vs our previous 2021F forecast). Worth noting is that our forecast is a country mile ahead of the consensus.

Ample FCF to expedite deleveraging. The high CPO price and robust sales growth will result in a 3-year cumulative FCF windfall as FCF is upsized by IDR1.0tn. This leaves room for lowering its short-term loans and scheduled principal payment along with a 30% dividend payout, thus lowering the interest expenses further.

Maintain BUY with a TP of IDR900 (+IDR50). Driven by a lower debt position while we maintain the same EV/ha target of +1STD. DSNG is lagging far behind the commodity, as the Belawan price remains at IDR9,000-10,000/kg (despite a progressive levy and export tax). DSNG is currently trading a touch below its historical average EV/ha and PBV level, making it an enticing prospect.

Key Financials

Year to 31 Dec	2019A	2020A	2021F	2022F	2023F
Revenue (IDRbn)	5,737	6,699	8,040	8,774	8,982
EBITDA (IDRbn)	1,270	1,609	2,303	2,454	2,358
EBITDA Growth (%)	(3.0)	18.1	43.2	6.5	(3.9)
Net profit (IDRbn)	180	477	826	966	957
EPS (IDR)	17.0	45.0	78.0	91.1	90.3
EPS growth (%)	(57.2)	75.3	73.3	16.9	(0.8)
BVPS (IDR)	352.1	587.9	642.1	709.8	772.8
DPS (IDR)	9.9	4.9	13.5	23.4	27.3
PER (x)	22.0	12.6	7.2	6.2	6.3
PBV (x)	1.6	1.0	0.9	0.8	0.7
Dividend yield (%)	1.7	0.9	2.4	4.1	4.8
EV/EBITDA (x)	8.9	7.0	4.6	3.9	3.6

Source : DSNG, Danareksa Estimates

Exhibit 1. Far above our estimates and the consensus

DSNG -2020	Unit	2019	2020	y-y	4Q19	3Q20	4Q20	y-y	q-q	Cons	% Cons	DS	% DS
Sales	IDR bn	5,737	6,699	16.8%	1,769	1,231	2,318	31.0%	88.3%	6,396	104.7	6,753	99.2
Gross Profit	IDR bn	1,461	1,752	19.9%	495	253	768	55.2%	204.0%	1,584	110.6	1,640	106.8
EBIT	IDR bn	708	1,033	45.8%	279	94	551	97.7%	484.5%	781	132.2	840	122.9
EBT	IDR bn	280	695	148.0%	193	(13)	494	156.4%	-4003.7%	378	183.8	480	145.0
Net Profit	IDR bn	180	476.6	164.4%	117	(18)	338.8	189.1%	-1976.2%	246	193.8	380	125.6
Core Profit	IDR bn	128	345	169.1%	86	54	259	201.4%	381.1%	287	120.2	257	134.5
Margins													
Gross Profit	(%)	25.5	26.1		28.0	20.5	33.1			24.8		24.3	
EBIT Margin	(%)	12.3	15.4		15.8	7.7	23.8			12.2		12.4	
Net Profit	(%)	3.1	7.1		6.6	(1.5)	14.6			3.8		5.6	
Core Profit	(%)	2.2	5.2		4.9	4.4	11.2			4.5		3.8	

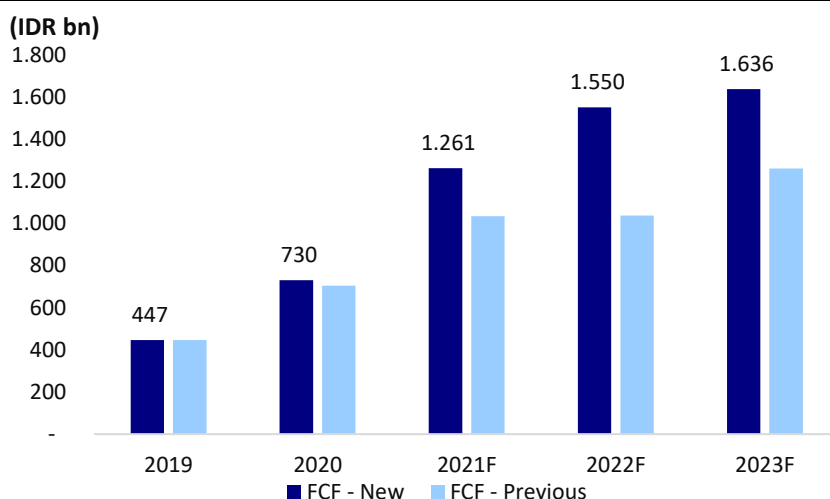
Source: Company, Danareksa Sekuritas

Exhibit 2. Net income is revised up by 69.3% in 2021 and is 97.7% ahead of the consensus

DSNG In Rpbn	2021F			2022F			2021F		2022F	
	New	Old	%change	New	Old	%change	YoV Change			
Profit & Loss										
Sales	8,040	7,390	8.8%	8,774	8,041	9.1%	20.0%		9.1%	
COGS	(5,672)	(5,480)	3.5%	(6,244)	(5,953)	4.9%	14.7%		10.1%	
Gross profit	2,368	1,911	23.9%	2,530	2,088	21.1%	35.2%		6.8%	
Operating profit	1,563	1,034	51.1%	1,662	1,139	45.9%	51.3%		6.4%	
Net profit	826.2	488	69.3%	966	563	71.6%	73.3%		16.9%	
EPS	76.9	43.6	76.4%	91.1	53.1	71.6%	175.3%		18.5%	
ETR										
Gross margin	29.5%	25.9%	13.9%	28.8%	26.0%	11.0%				
Operating margin	19.4%	14.0%	38.9%	18.9%	14.2%	33.7%				
Net margin	10.3%	6.6%	55.6%	11.0%	7.0%	57.3%				
CPO Price (MYR/ton)	3,200	2,900	10.3%	3,000	2,700	11.1%	14.6%		-6.3%	
DSNG's CPO Price (Rp/kg)	9,023	7,964	13.3%	8,996	7,938	13.3%	10.8%		-0.3%	
FFB Production (k tons)	1,983	2,052	-3.3%	2,083	2,199	-5.3%	18.3%		5.0%	
Implied FFB purchased (k tons)	1,056	1,028	2.7%	1,178	1,150	2.4%	2.0%		11.5%	
FFB Processed (k tons)	3,039	3,080	-1.3%	3,261	3,349	-2.6%	12.1%		7.3%	
CPO Production (k tons)	714	724	-1.4%	766	787	-2.7%	12.1%		7.3%	
CPO Sales Volume (k tons)	707	724	-2.3%	766	787	-2.7%	10.4%		8.4%	
Kernel Sales Volume (k tons)	36	37	-2.3%	39	40	-2.6%	17.0%		8.4%	
Refined Products Sales Volume (k tons)	35	36	-2.3%	38	39	-2.6%	7.3%		8.4%	
USD MYR Assumptions	4.00	4.0		4.00	4.0					
USD IDR Assumption	14,000	14,000		14,000	14,000					

Source: Company, Danareksa Sekuritas

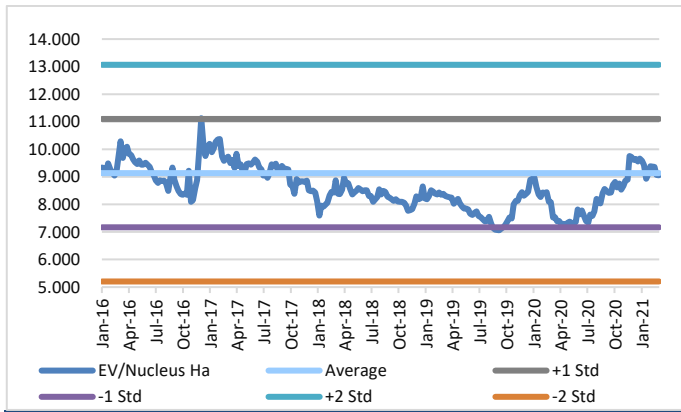
Exhibit 3. An enlarged FCF for dividends, deleveraging, and/or future M&A



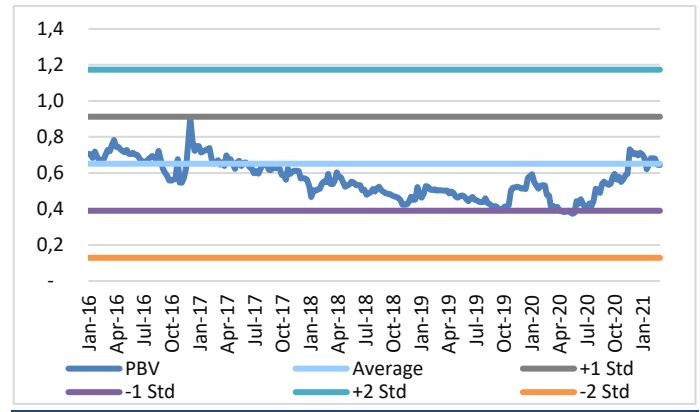
Source: Company, Danareksa Sekuritas

Exhibit 4. EV/ha is still near average

Exhibit 5. The PBV too is still near average



Source: Company, Danareksa Sekuritas estimates



Source: Company, Danareksa Sekuritas estimates

Exhibit 6. Income Statement

Year to 31 Dec (IDRbn)	2019A	2020A	2021F	2022F	2023F
Revenue	5,737	6,699	8,040	8,774	8,982
COGS	(4,276)	(4,947)	(5,672)	(6,244)	(6,542)
Gross profit	1,461	1,752	2,368	2,530	2,440
EBITDA	1,270	1,609	2,303	2,454	2,358
Oper. profit	709	1,033	1,563	1,662	1,521
Interest income	28	19	20	20	20
Interest expense	(538)	(500)	(415)	(361)	(306)
Forex Gain/(Loss)	9	181	11	0	0
Income From Assoc. Co's	0	0	0	0	0
Other Income (Expenses)	73	(38)	40	10	0
Pre-tax profit	280	695	1,219	1,331	1,235
Income tax	(102)	(217)	(386)	(359)	(272)
Minority interest	2	(2)	(6)	(6)	(6)
Net profit	180	477	826	966	957
Core Net Profit	171	296	815	966	957

Exhibit 7. Balance Sheet

Year to 31 Dec (IDRbn)	2019A	2020A	2021F	2022F	2023F
Cash & cash equivalent	270	648	692	952	1,252
Receivables	383	398	437	497	523
Inventory	711	670	777	855	896
Other Curr. Asset	569	897	700	610	611
Fixed assets - Net	3,151	5,452	5,633	5,685	5,615
Other non-curr.asset	6,537	6,086	5,917	5,673	5,360
Total asset	11,621	14,151	14,156	14,271	14,257
ST Debt	1,399	1,189	681	740	681
Payables	798	799	831	886	922
Other Curr. Liabilities	165	305	245	249	253
Long Term Debt	5,016	4,755	4,594	3,854	3,173
Other LT. Liabilities	512	873	886	899	910
Total Liabilities	7,889	7,921	7,236	6,628	5,940
Shareholder's Funds	3,646	6,122	6,805	7,523	8,190
Minority interests	85	109	115	121	127
Total Equity & Liabilities	11,621	14,151	14,156	14,271	14,257

Exhibit 8. Cash Flow

Year to 31 Dec (IDRbn)	2019A	2020A	2021F	2022F	2023F
Net income	180	477	826	966	957
Depreciation and Amort.	562	576	741	792	836
Change in Working Capital	226	(133)	227	103	(175)
Other Oper. Cash Flow	430	478	(30)	168	452
Operating Cash Flow	1,398	1,398	1,764	2,029	2,070
Capex	(523)	(576)	(751)	(696)	(599)
Others Inv. Cash Flow	(428)	(62)	247	216	166
Investing Cash Flow	(951)	(639)	(504)	(480)	(434)
Net change in debt	(135)	(48)	(669)	(681)	(740)
New Capital	0	0	0	0	0
Dividend payment	(105)	(52)	(143)	(248)	(290)
Other Fin. Cash Flow	(290)	(252)	(404)	(361)	(306)
Financing Cash Flow	(530)	(352)	(1,216)	(1,290)	(1,336)
Net Change in Cash	(323)	377	44	260	301
Cash - begin of the year	594	270	648	692	952
Cash - end of the year	270	648	692	952	1,252

Exhibit 9. Key Ratios

Year to 31 Dec	2019A	2020A	2021F	2022F	2023F
Growth (%)					
Sales	20.5	16.8	20.0	9.1	2.4
EBITDA	(3.0)	18.1	43.2	6.5	(3.9)
Operating profit	(22.1)	29.1	51.3	6.4	(8.5)
Net profit	(57.7)	75.3	73.3	16.9	(0.8)
Profitability (%)					
Gross margin	25.5	26.1	29.5	28.8	27.2
EBITDA margin	22.1	24.0	28.6	28.0	26.2
Operating margin	13.9	15.4	19.4	18.9	16.9
Net margin	3.1	7.1	10.3	11.0	10.7
ROAA	1.5	3.7	5.8	6.8	6.7
ROAE	5.0	9.8	12.8	13.5	12.2
Leverage					
Net Gearing (x)	1.6	0.8	0.7	0.5	0.3
Interest Coverage (x)	1.3	2.1	3.8	4.6	5.0

Source : DSNG, Danareksa Estimates

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