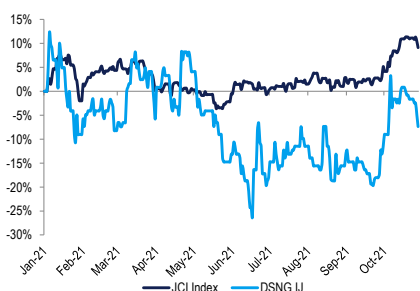


Stock Data

Target price	Rp1,000
Prior TP	Rp1,000
Current price	Rp565
Upside/downside	77%
Shares outstanding (mn)	10,600
Market cap (Rp bn)	5,989
Free float	29%
Avg. 6m daily T/O (Rp bn)	18

Price Performance

	3M	6M	12M
Absolute	2.7%	-13.1%	13.5%
vs. JCI	-4.4%	-22.3%	.8-13.1%
52w low/high (Rp)	450 – 685		



Major Shareholders

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

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3Q21 results: miss from weaker CPO production and sales volume

- 9M21 net profit of Rp416bn (+154% yoy) was below our/consensus estimates (at 52/58%) attributed to lower CPO production and sales.
- CPO ASP in 3Q21 was at Rp9.2k/kg (+12% qoq) but this was offset by weaker production/sales volume amid unfavorable weather.
- Maintain Buy on the back of production recovery for both nucleus and plasma coupled with stronger CPO price in 4Q21.

Miss in profit due to lower CPO sales and production volume

9M21 net profit was below estimates (52/58% of our/consensus estimates) and reached Rp416bn (+154% yoy) attributed to lower CPO sales and production volume. Revenue grew by +15% yoy to Rp5.1tr largely from higher CPO ASP. Gross margin expanded to 25.9% in 9M21 from 22.5% in 9M20. On a qoq basis, 3Q21 net profit grew by 93% qoq while revenue grew by 6% qoq.

Weather impacted production coupled with scarce third party FFB

Operationally, we saw a decline of CPO production by -9% qoq (+1% yoy) in 3Q21 to 132kt which was due to lower FFB purchased from third party of -36% yoy (-15% qoq) to 97.1kt. In terms of sales, we saw a drop in CPO sales by -7% qoq (+9% yoy) to 133.8kt, in-line with the production drop. CPO ASP rose to Rp9.2k/kg (+23% yoy, +12% qoq) in 3Q21 and was at Rp8.7k/kg YTD. DSNG's ASP recognition in 9M21 was far lower compared to local prices (c.15% lower) amidst its forward contracts position which was initially used to hedge ASP recognition downside during a CPO price downturn.

Wood segment sales volume remains robust

Its wood segment's revenue was up by 35% yoy to Rp956bn in 9M21 driven by higher sales volume of both engineered flooring (+28% yoy) and panel products (+25% yoy). In addition, engineered flooring ASP was up by 5% yoy to Rp410k/m² while panel ASP was up by +2% yoy to Rp6mn/m³.

Maintain Buy on the back of stronger CPO price and production recovery

We maintain our Buy call and our TP at Rp1,000/share, which implies 8x FY22F P/E (10Y average at 12x) on DSNG on the back of production recovery coupled with robust CPO price trend. Management has seen significant improvement at the beginning of 4Q21, where OER is near 24% (vs. 23% in 3Q21). The company is trading at US\$7k/ha, below market acquisition cost of US\$10k/ha. Risk is lower than expected production and CPO price downturn.

Financial Summary (Rp bn)	2019A	2020A	2021F	2022F	2023F
Revenue	5,737	6,699	7,289	8,275	7,585
EBITDA	1,333	1,642	1,883	2,442	1,714
EBITDA growth	1.36%	23.22%	14.64%	29.69%	-29.79%
Net profit	180	477	794	1,270	719
EPS (Rp)	17	46	76	121	69
EPS growth	-58.29%	177.22%	62.20%	59.94%	-43.35%
ROE	4.82%	7.65%	11.47%	16.30%	8.99%
PER (x)	32.8	12.4	7.4	4.7	8.2
EV/EBITDA (x)	9.0	7.1	5.5	3.9	5.3
Dividend yield	1.77%	1.77%	1.77%	6.72%	8.59%
Forecast change			N/A	N/A	N/A
IPS vs. consensus			111%	140%	83%

Source: Company, Indo Premier

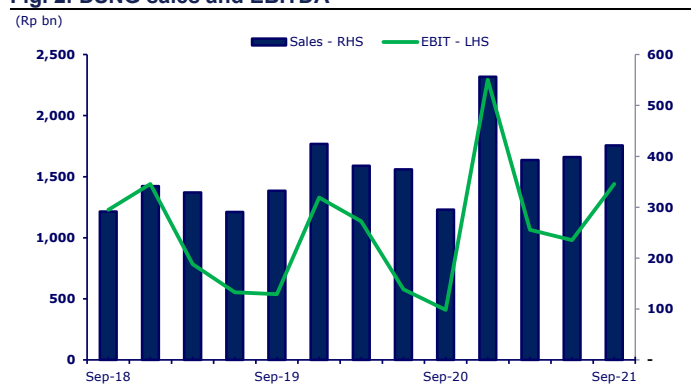
Share price closing as of: 28 October 2021

Fig. 1: DSNG 3Q21 result summary- below

IPS - DSNG IJ - Rp bn	9M21	9M20	YoY (%)	3Q21	3Q20	YoY (%)	2Q21	QoQ (%)	% 21F	% Cons
Sales	5,053	4,381	15.3%	1,755	1,231	43%	1,661	5.7%	69%	65%
Gross Profit	1,307	984	32.8%	512	253	103%	401	27.5%	61%	55%
EBIT	836	509	64.2%	346	98	251%	235	47.0%	64%	63%
Net Profit	416	164	153.9%	208	-18	-1260%	108	93.4%	52%	58%
Gross Profit margin	25.9%	22.5%		29.2%	20.5%		24.2%			
EBIT margin	16.6%	11.6%		19.7%	8.0%		14.2%			
Net Profit margin	8.2%	3.7%		11.9%	-1.5%		6.5%			
Op. Performance										
FFB production ('000t)	1,471.0	1,428.1	3.0%	470.9	406.5	16%	514.9	-8.6%		
CPO production ('000t)	419.9	442.5	-5.1%	132.0	130.4	1%	144.2	-8.5%		
CPO ASP (Rp/t)	8,670	7,700	12.6%	9,170	7,438	23%	8,180	12.1%		
CPO sales vol ('000t)	412.5	433.5	-4.8%	133.8	123.1	9%	143.6	-6.8%		

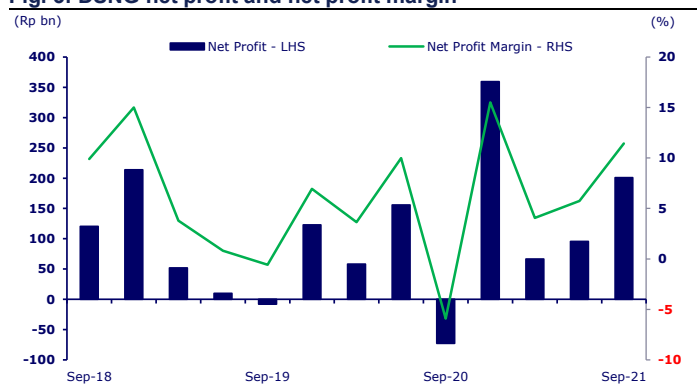
Source: Company, Indo Premier

Fig. 2: DSNG sales and EBITDA



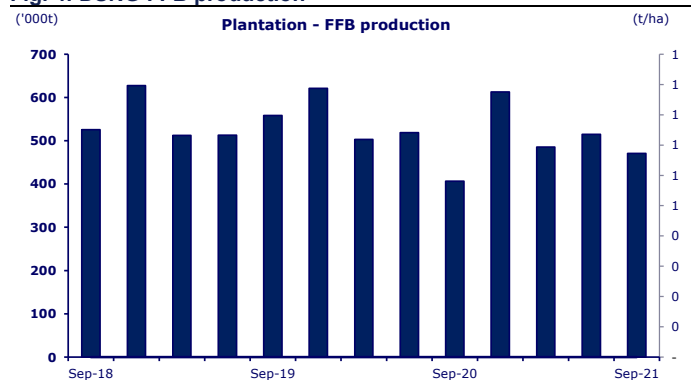
Source: Company, Indo Premier

Fig. 3: DSNG net profit and net profit margin



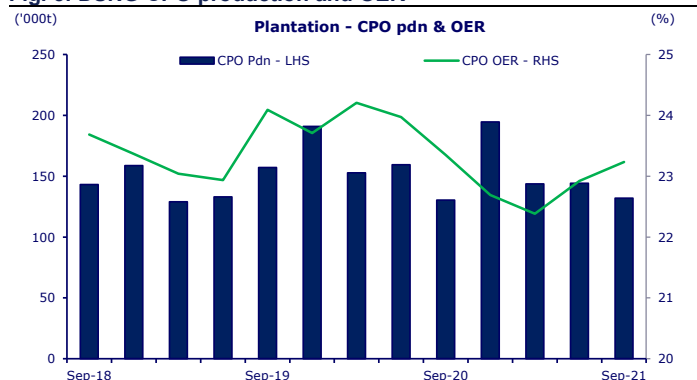
Source: Company, Indo Premier

Fig. 4: DSNG FFB production



Source: Company, Indo Premier

Fig. 5: DSNG CPO production and OER



Source: Company, Indo Premier

Fig. 6: DSNG valuation summary

	Based on 22F
Net profit (Rp bn)	1,270
Applied PE Ratio (x)	8
Implied mkt cap (Rp bn)	10,157
No. of shares (m)	10,458
Share price (IDR/share)	1,000

Source: Company, Indo Premier

Fig. 7: DSNG PE band



Source: Company, Indo Premier

Income Statement (Rp bn)	2019A	2020A	2021F	2022F	2023F
Net revenue	5,737	6,699	7,289	8,275	7,585
Cost of sales	(4,276)	(4,947)	(5,148)	(5,606)	(5,665)
Gross profit	1,461	1,752	2,141	2,669	1,921
SG&A Expenses	(692)	(708)	(836)	(837)	(846)
Operating profit	769	1,044	1,303	1,831	1,074
Net interest	(476)	(300)	(256)	(195)	(146)
Forex gain (loss)	(24)	(30)	0	0	0
Others	(12)	(49)	(30)	(30)	(30)
Pre-tax income	280	695	1,017	1,605	898
Income tax	(102)	(217)	(224)	(337)	(180)
Minority interest	2	(2)	1	1	1
Net income	180	477	794	1,270	719

Balance Sheet (Rp bn)	2019A	2020A	2021F	2022F	2023F
Cash & equivalent	270	648	1,894	2,879	3,263
Receivable	355	382	140	159	145
Inventory	711	670	846	922	931
Other current assets	1,307	1,584	1,760	1,835	1,844
Total current assets	1,933	2,613	3,793	4,872	5,253
Fixed assets	3,151	5,453	5,561	5,594	5,605
Goodwill	237	226	226	226	226
Total non-current assets	6,300	5,860	5,703	5,539	5,369
Total assets	11,621	14,151	15,284	16,232	16,452
Payable	530	416	494	538	543
Other payables	433	664	1,031	1,063	1,067
Current portion of LT loans	1,399	1,213	1,213	1,213	1,213
Total current liab.	2,362	2,293	2,737	2,814	2,824
Long term loans	5,016	5,178	5,178	5,178	5,178
Other LT liab.	512	450	450	450	450
Total liabilities	7,889	7,921	8,365	8,442	8,451
Equity	733	2,739	2,739	2,739	2,739
Retained earnings	2,913	3,382	4,072	4,944	5,156
Minority interest	85	109	108	107	106
Total SHE + minority int.	3,732	6,231	6,919	7,791	8,001
Total liabilities & equity	11,621	14,151	15,284	16,232	16,452

Source: Company, Indo Premier

Cash Flow Statement (Rp bn)	2019A	2020A	2021F	2022F	2023F
Net income	180	477	794	1,270	719
Depr. & amortization	319	356	580	611	640
Changes in working capital	197	(314)	510	(18)	13
Others	(641)	237	(33)	(96)	(145)
Cash flow from operating	54	756	1,851	1,767	1,228
Capital expenditure	(197)	(131)	(530)	(480)	(480)
Others	(514)	(492)	30	95	144
Cash flow from investing	(712)	(623)	(500)	(385)	(336)
Loans	(99)	(24)	0	0	0
Equity	0	2,103	0	0	0
Dividends	(105)	(105)	(105)	(397)	(508)
Others	608	(1,731)	0	0	0
Cash flow from financing	404	245	(105)	(397)	(508)
Changes in cash	(254)	377	1,246	985	384

Key Ratios	2019A	2020A	2021F	2022F	2023F
Gross margin	25.46%	26.15%	29.37%	32.25%	25.32%
Operating margin	13.40%	15.58%	17.87%	22.13%	14.16%
Pre-tax margin	4.88%	10.38%	13.95%	19.40%	11.84%
Net margin	3.14%	7.12%	10.89%	15.34%	9.48%
ROA	1.55%	3.37%	5.19%	7.82%	4.37%
ROE	4.82%	7.65%	11.47%	16.30%	8.99%
ROIC	4.75%	6.29%	8.37%	12.25%	7.37%
Acct. receivables TO (days)	24	20	13	7	7
Payable TO (days)	47	35	32	34	35
Debt to equity	175.92%	104.40%	93.83%	83.18%	80.95%
Interest coverage ratio (x)	1.5	3.3	4.5	6.3	3.7
Net gearing	168.51%	93.82%	66.02%	45.71%	39.62%

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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