

CPO stockpiles remained on a downtrend in Jan 24

- Palm oil price improved by 4% m-o-m in Jan 24
- Room for further improvement ahead on rising sunflower oil price
- Indonesia posted record-high biodiesel production in 2023
- [WIL](#), [FR](#), [BAL](#), and [LSIP](#) are our top BUYS, and all eyes now on 4Q23 earnings announcement

Palm oil price started to trend higher y-o-y in Jan 24. The palm oil price benchmark averaged US\$823 per MT (+4.3% y-o-y, -8.9% m-o-m), followed by Indonesia's domestic palm oil price of Rp11,700/kg (+2% y-o-y, +4% m-o-m) in Jan 24. The improving palm oil price was driven by the stable crude oil and soybean oil price trend, as well as recovering sunflower oil prices.

Room for price improvement ahead. We see room for the palm price to improve further going ahead. The current soybean oil premium to CPO is US\$200 per MT and sunflower oil is trading at a US\$80 per MT premium to CPO. Indonesia produced 13m KL of biodiesel (+2.3% y-o-y) in 2023 and is set to maintain production at above 10m KL in 2024 due to the competitive price of CPO vs. gasoil.

Malaysia inventory trended down to 2.0m MT in Jan 24. Malaysia's inventory reached 2.0m MT in Jan 24 (-11% y-o-y, -11.8% m-o-m) on the back of good export volume of 1.35m MT (+18.9% y-o-y, -8.0% m-o-m). Meanwhile, production volume dropped 9.6% m-o-m to 1.4m MT (+2% y-o-y) on the seasonal factor. The falling inventory level in Malaysia, which is encouraging, indicates palm oil supply and demand are healthy as demand gradually recovers y-o-y.

Earnings season under the spotlight. Wilmar will report its 4Q23 earnings on 21 February and all eyes will be on how it can weather the bumpy China economy. Meanwhile, we believe BAL (FY23 earnings : 27 Feb) will perform well, as it already [exceeded our earnings forecast previously](#). We like FR (FY23 earnings : 29 Feb) due to its strong ROE and profitability trend and the recent land acquisition, which adds to its [land bank for future expansion](#). Meanwhile, we like LSIP due to its [undemanding valuation](#) and net cash balance sheet.

JCI : 7,235.00

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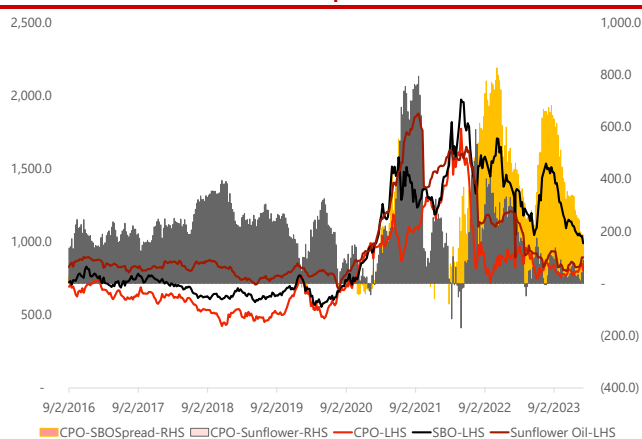
STOCKS

	Price	Mkt Cap US\$m	Target Price Rp	12-mth Performance (%)		Rating
				3 mth	12 mth	
Indonesia (Rp)						
Astra Agro	6,875	846	7,500	N.A	N.A	HOLD
London	830	362	1,300	N.A	N.A	BUY
Singapore (S\$)						
Bumitama Agri	0.62	800	0.90	8.8	1.6	BUY
First	1.42	1,654	2.00	(0.7)	(7.2)	BUY
Wilmar	3.12	14,472	4.30	(13.1)	(22.0)	BUY

Source: DBSVI, Bloomberg Finance L.P.

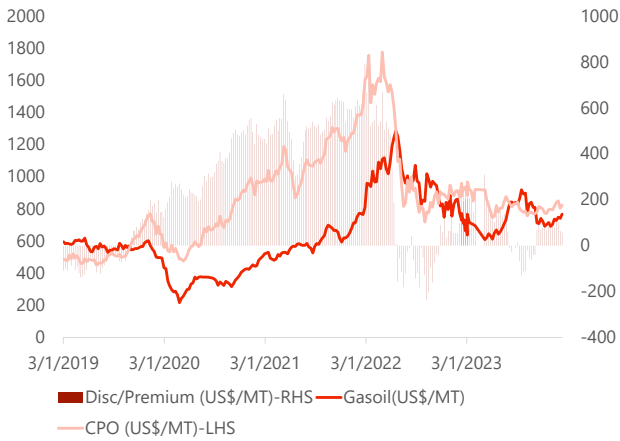
Closing price as of 7 Feb 2024

CPO vs. SBO vs. sunflower oil price



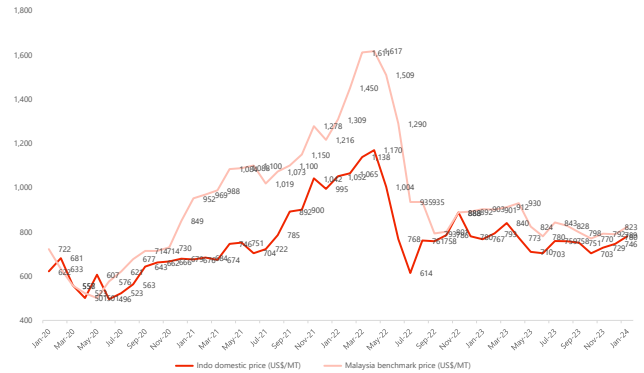
Source: Bloomberg Finance L.P., DBSVI

CPO is trading at a US\$50 per MT premium to gasoil after Brent crude oil price improved to >US\$80 per bbl in Feb 2024



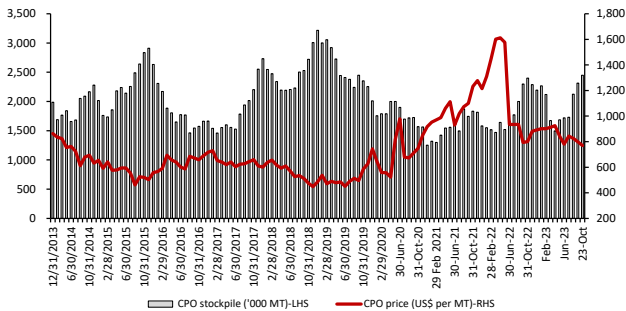
Source: Bloomberg Finance L.P., DBSVI

Palm oil benchmark price improved 4% m-o-m to US\$823 per MT (-8.9% y-o-y) in Jan 24



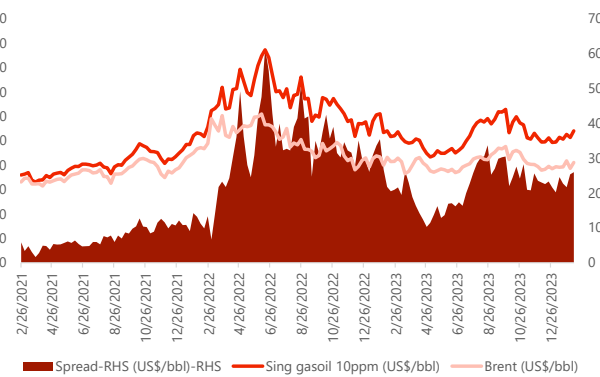
Source: GAPKI, Bloomberg Finance L.P., DBSVI

CPO stockpile should trend down, as demand for palm oil demand has been recovering from 2023 low



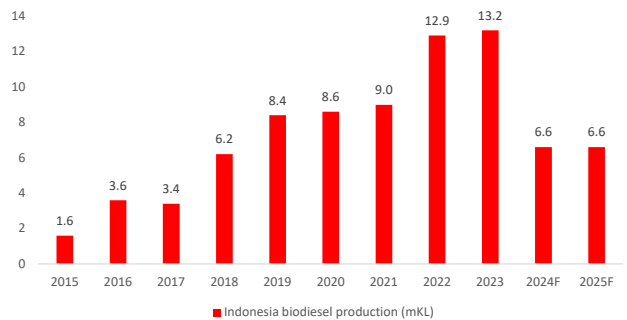
Source: MPOB, Bloomberg Finance L.P., DBSVI

Gasoil is trading at a stable US\$20-30 per bbl premium to Brent crude oil



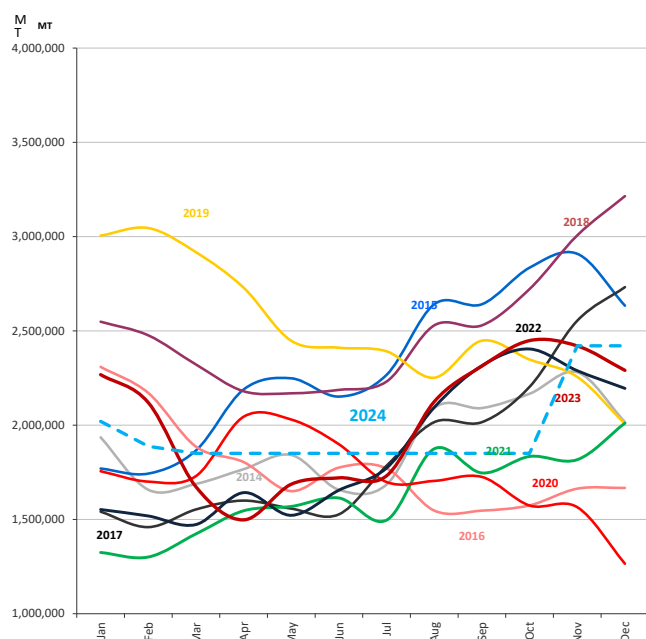
Source: Bloomberg Finance L.P., DBSVI

Indonesia posted record-high biodiesel production in 2023



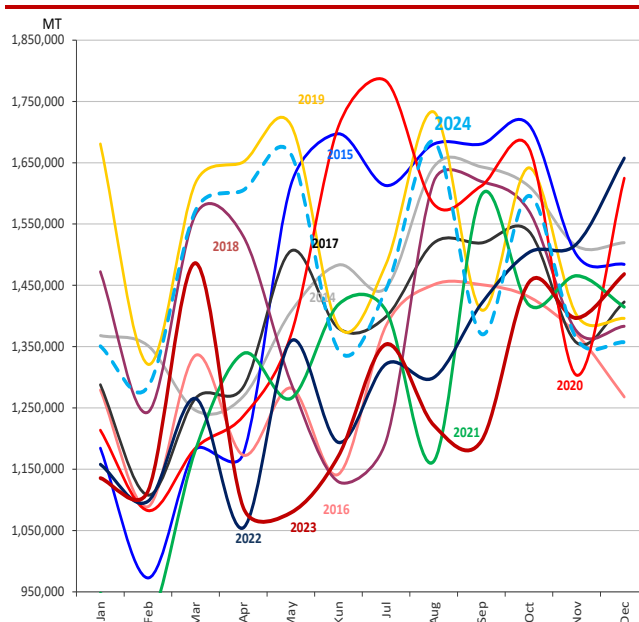
Source: APROBI, DBSVI

Declining inventory trend will support price recovery in 2024



Source: MPOB, DBSVI

Exports climbed by 19% y-o-y in Jan 24



Source: MPOB, DBSVI

Peers comparison table

	Est. total land bank (ha.)	FY22 own mat. (ha.)	FY22 own planted (ha.)	Share price 12-Feb-2023	Market cap (m)	Adjusted plantation EV (m)	Adjusted 22F EV/planted (own)	Adjusted 22F EV/mature (own)	CY PER, x 23F 24F	FY Div. yield, % 23F 24F	EPS growth (inc. BA gains), % 23F 24F	FY Net gearing, % 23F 24F	FY EV/ EBITDA, x 23F 24F	21-23F own FFB vol CAGR %	21-24F EPS CAGR Rec target price %	12-month target price Basis	
Indonesia																	
Astra Agro L.	242,335	193,319	214,815	Rp	8,200 US\$	1,043 US\$	1,244 US\$	5,789 US\$	6,433	13.7	21.1	5.4 3.6	-33.1 -35.4	11 0	4.2 4.4	-5.7 (27.6)	H Rp 7,500 DCF
London Sum.*	99,547	84,704	91,255	Rp	1,035 US\$	467 US\$	288 US\$	3,159 US\$	3,403	12.0	10.6	7.4 4.2	-43.1 13.2	NC NC	1.0 0.6	4.2 (12.4)	B Rp 1,300 DCF
Simple avg					US\$ 1,276		US\$ 4,474	US\$ 4,918	12.8	15.9					2.6 2.5		
Singapore																	
Bumitama A.	187,628	125,462	132,099	S\$	0.61 US\$	789 US\$	1,303 US\$	9,861 US\$	10,383	5.0	4.9	5.4 5.4	-21.6 2.5	17 0	3.3 2.9	5.2 9.7	B S\$ 0.90 DCF
First Resource:	211,409	160,095	175,563	S\$	1.53 US\$	1,803 US\$	1,940 US\$	11,048 US\$	12,115	12.4	9.5	3.5 2.2	-55.6 30.3	0 3	3.1 5.8	5.7 5.3	B S\$ 2.00 DCF
Wilmar Int'l	269,335	218,409	238,970	S\$	3.96 US\$	18,583 US\$	1,842 US\$	7,709 US\$	8,435	14.7	10.9	3.5 4.7	-46.7 34.9	100 112	8.7 11.2	0.6 (2.9)	B S\$ 4.30 SOTP
Simple avg					US\$ 7,058		US\$ 9,539	US\$ 10,311	10.7	8.4					5.0 6.6		

* Including rubber and other crops

** Excluding effective stake in associates land bank

Source: MPOC, Bloomberg Finance L.P., DBSVI estimate

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BUY (>15% total return over the next 12 months for small caps, >10% for large caps)

HOLD (-10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps)

FULLY VALUED (negative total return, i.e., > -10% over the next 12 months)

SELL (negative total return of > -20% over the next 3 months, with identifiable share price catalysts within this time frame)

**Share price appreciation + dividends*

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