PT PP London Sumatera Indonesia Tbk (LSIP)

Plantation Business

Riding on a wave of high CPO price

06 June 2022

Recommendations : BUY

Stock	
Price on 03/06/2022 (IDR)	1,395
12M target price (IDR)	1,715
Capital gain potential	23%

Stock Data	
Outstanding shares	6,819,963,965
Market cap (Rp)	9,517,895,231,175
Weight vs IHSG (%)	0.14

Shareholders	**(%)**
SIMP	59.51%
Indofood Agri Resources, Ltd.	0.11%
Public	40.38%
Outstanding Shares (unit)	6,819,963,965
Treasury stocks	2,900,000

Price Performance	
52-week high/low	Rp1,570/ Rp965

Capital gain/(loss) (in %)

1 month	3 month	6 month	1 Year	YTD
1.09	(9.12)	14.81	13.88	17.72

Summary of Financial Performance

In IDR bn	2021A	2022E	2023F
Revenue	4,525	4,707	4,807
Operating Income	1,185	1,601	1,471
OPM (%)	26.18%	34.03%	30.60%
EBITDA	1,568	2,066	2,109
EV to EBITDA (x)*	3.01	2.84	2.74
Net Income	991	1,339	1,244
NPM (%)	21.90%	28.44%	25.88%
EPS (Rp)	145	196	182
EPS Growth (%)	42.4%	35.0%	-7.1%
Price Earnings (x)*	8.15	7.11	7.65
Price to Book (x)*	0.79	0.87	0.81
Price to Sales (x)*	1.79	2.02	1.98
Return on Equity (%)	9.75%	12.19%	10.60%
Return on Assets (%)	8.36%	10.47%	9.14%

**) based on market price (03/06/2022) at Rp1,395*
Sources :Company, Bloomberg and KB Valbury Sekuritas

Analyst(s)
Alfiansyah
Devi Harjoto

Laba bersih naik 2,5% YoY pada 1Q22 menjadi Rp304,6 miliar
ASP yang masih kuat, kendati cuaca menjadi tantangan operasional
Rekomendasi "BUY" dengan target harga Rp1.715 per saham

Penurunan laba bersih, namun margin tetap ekspansif

Laba bersih LSIP meningkat 2,5% YoY pada 1Q22 menjadi Rp304,63 miliar, sedangkan pendapatan turun 36,0% YoY menjadi Rp764,9 miliar. Meski demikian, GPM masih meningkat signifikan dari 35,6% pada 1Q21 menjadi 57,5% pada 1Q22 ditengah penurunan beban pokok 57,8% YoY dari penurunan TBS. Kemudian, beban operasional LSIP naik 33,0% YoY pada 1Q22 dari kerugian dari penurunan nilai atas tanaman produkktif Rp26,21 miliar dibandingkan tahun lalu yang nihil. Walaupun demikian, margin operasional LSIP tetap meningkat dari 30,7% pada 1Q21 menjadi 47,3% pada 1Q22. LSIP mencatatkan bagian laba dari asosiasi Rp229 juta pada 1Q22 dibandingkan kerugian pada 1Q21 yakni Rp5,8 miliar. Kemudian, pendapatan keuangan juga naik 31,0% YoY pada 1Q22. LSIP mempertahankan posisi net cash pada 1Q22.

Volume produksi turun signifikan namun terbantu kenaikan ASP

Kenaikan pendapatan LSIP yang tipis pada 1Q22 ditopang oleh kenaikan ASP, kendati volume penjualan CPO turun 66% YoY menjadi 33.000 MT ditengah berkurangnya produksi 39% YoY menjadi 53.000 MT atau turun 18,5% QoQ menjadi 53.000 MT. Kemudian, produksi FFB nucleus juga turun 29% YoY menjadi 226.000 MT, atau berkurang 16,3% QoQ menjadi 226.000 MT pada 1Q22, karena faktor cuaca dan aktivitas replanting. Adapun, volume penjualan produk palm kernel turun 66% YoY pada 1Q22 menjadi 33.000 MT.

Supply yang masih ketat menopang ASP

Kami memperkirakan pendapatan LSIP akan bertumbuh 6% YoY pada tahun 2022, ditengah kenaikan ASP. Berdasarkan harga benchmark, CPO pada Juni 2022 mencapai RM 6.611 per MT, ditengah peningkatan harga energy juga minyak bunga matahari akibat konflik Rusia-Ukraina, dimana menjadi produsen terbesar di dunia. Selain itu, kami juga mempertimbangkan factor La Nina yang meningkatkan curah hujan. Di sisi lain, kami memperkirakan dampak penerapan DMO CPO yang diterapkan pada 31 Mei 2022 untuk LSIP cukup minimal, mengingat porsi untuk penjualan local yang besar. Di sisi lain, kami memperkirakan potensi dampak negative dari kenaikan suku bunga global dapat berpotensi mengkoreksi harga komoditas, termasuk CPO. Juga adanya resiko dari pelambatan ekonomi Cina yang dapat mempengaruhi permintaan terhadap CPO. Akan tetapi, dapat dikompensasi oleh India yang diperkirakan masih tetap kuat.

Rekomendasi BUY, program replanting yang mendorong produktivitas

Kami merekomendasikan LSIP dengan target harga Rp1,715 per saham yang mencerminkan valuasi PE 2020F sebesar 7,11x. Kami menilai positif performa LSIP tahun ini, ditopang oleh 1) program replanting; 2) pemulihan ekonomi dan supply yang terbatas ; 3) neraca yang solid; 4) kenaikan harga komoditas ditengah konflik di Ukraina mendorong harga minyak; 5) permintaan global yang kuat dan 6) penurunan tariff bea impor dari India. Namun, kami menilai beberapa resiko yang dapat membatasi performa LSIP yakni dampak 1) penyebaran mutasi virus sehingga mengurangi efektivitas vaksinasi; 2) volume produksi yang lebih rendah karena faktor cuaca; 3) Rupiah yang menguat terhadap dolar AS dan 4) normalisasi moneter global.

PT PP London Sumatera Indonesia Tbk (LSIP)

Plantation Business

FINANCIAL OVERVIEW

Income Statement (IDR bn)	1CQ2021	1CQ2022	YoY Change	4Q2021	1Q2022	QoQ Change
Revenue	**1,196**	**765**	*(36.0%)*	**1,186**	**765**	*(35.5%)*
Cost of Revenue	(770)	(325)	*(57.8%)*	(540)	(325)	*(39.8%)*
Gross Profit	**426**	**440**	*3.3%*	**647**	**440**	*(32.0%)*
Gross Margin (%)	***35.6%***	***57.5%***		***54.5%***	***57.5%***	
Operating Expenses	(59)	(78)	*33.0%*	(398)	(78)	*(80.4%)*
Operating Profit	**367**	**362**	*(1.4%)*	**249**	**362**	*(46.4%)*
Operating Margin (%)	**30.7%**	**47.3%**		***20.9%***	***47.3%***	
Non-Operating Income (Losses)	7	18	*131.7%*	19	18	*(4.8%)*
Pretax Income	**375**	**380**	*1.3%*	**267**	**380**	*42.0%*
Income Tax (Expense)/ Benefit	(78)	(75)	*(2.9%)*	(29)	(75)	*163.5%*
Profit for This Year	**297**	**304**	*2.5%*	**239**	**304**	*27.5%*
Net Profit (Losses)	**297**	**305**	*2.5%*	**239**	**305**	*27.5%*
Profit Margin (%)	***24.9%***	***39.8%***		***20.1%***	***39.8%***	

Sources : Company and KB Valbury Sekuritas

FINANCIAL TABLES

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

Year End Dec (IDR bn)	2020A	2021A	2022E	2023F	2024F
Revenue	**3,537**	**4,525**	**4,805**	**4,990**	**4,786**
Revenue growth yoy	*(4.4%)*	*28.0%*	*6.2%*	*3.9%*	*(4.1%)*
- Cost of Goods Sold	(2,461)	(2,717)	(2,888)	(2,766)	(2,690)
Gross Income	**1,076**	**1,808**	**1,917**	**2,224**	**2,096**
- Operating Expenses	(260)	(617)	(705)	(825)	(899)
Operating Income	**816**	**1,191**	**1,211**	**1,399**	**1,196**
Op income growth yoy	*155.1%*	*46.0%*	*2.2%*	*15.5%*	*(14.5%)*
- Non Operating Gains (Losses)	44	56	53	69	71
EBITDA	**1,576**	**1,568**	**1,859**	**1,673**	**1,828**
Pretax Income	**860**	**1,247**	**1,264**	**1,468**	**1,268**
- Income Tax Expense	(165)	(256)	(264)	(307)	(269)
Profit for This Year	**695**	**990**	**1,000**	**1,161**	**999**
- Minority Interests	(1)	(1)	(1)	(1)	(1)
Net Income	**696**	**991**	**1,001**	**1,162**	**1,000**
Net income growth yoy	*174.1%*	*42.4%*	*1.0%*	*16.1%*	*(13.9%)*
EPS (IDR)	**102**	**145**	**147**	**170**	**147**
Dividends Per Share (IDR)	**20**	**44***	**59**	**68**	**59**

**) Estimate*

Sources: Company, Bloomberg and KB Valbury Sekuritas

PT PP London Sumatera Indonesia Tbk (LSIP)

Plantation Business

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Year End Dec (IDR bn)	2020A	2021A	2022E	2023F	2024F
Total Current Assets	**2,920**	**4,308**	**4,649**	**4,788**	**5,040**
+ Cash & Near Cash Items	1,959	3,368	3,660	3,741	3,898
+ Accounts & Notes Receivable	214	172	182	192	210
+ Inventories	527	580	611	646	705
+ Other Current Assets	**220**	**188**	**197**	**209**	**228**
Total Long-Term Assets	**8,003**	**7,543**	**8,132**	**8,829**	**9,476**
+ Property, Plant & Equip, Net	6,331	5,847	6,130	6,321	6,429
Property, Plant & Equip	10,662	10,828	11,351	11,695	11,995
Accumulated Depreciation	4,331	4,981	5,222	5,374	5,566
+ Other Long Term Assets	1,672	1,697	2,003	2,508	3,047
Total Assets	**10,923**	**11,851**	**12,782**	**13,617**	**14,517**
Total Current Liabilities	**597**	**697**	**727**	**722**	**714**
+ Payables & Accruals	415	465	465	468	466
+ Short Term Borrowings	3	5	5	5	5
+ Other Short Term Liabilities	179	227	257	249	243
Total Long Term Liabilities	**1,039**	**982**	**1,068**	**1,157**	**1,244**
+ Long Term Borrowings	0	4	4	4	4
+ Other Long Term Borrowings	1,039	978	1,064	1,153	1,240
Total Liabilities	**1,636**	**1,679**	**1,795**	**1,879**	**1,958**
+ Share Capital & APIC	1,713	1,713	1,713	1,713	1,713
- Treasury Stock	3	3	3	3	3
+ Retained Earnings & O. Equity	7,560	8,447	9,250	9,996	10,812
+ Other Equity	15	15	24	28	32
Total Shareholders Equity	9,284	10,171	10,983	11,734	12,553
+ Minority/Non Controlling Int.	2	1	3	4	5
Total Equity	**9,286**	**10,173**	**10,987**	**11,738**	**12,558**
Total Liabilities & Equity	**10,923**	**11,851**	**12,782**	**13,617**	**14,517**
Book Value Per Share (IDR)	**1,361**	**1,491**	**1,610**	**1,721**	**1,841**

Sources: Company, Bloomberg and KB Valbury Sekuritas

CONSOLIDATED STATEMENTS OF CASH FLOWS

Year End Dec (IDR bn)	2020A	2021A	2022E	2023F	2024F
Net Income	696	991	1,339	1,244	1,360
+ Depreciation & Amortization	765	383	541	552	592
+ Other Non-Cash Adjustments	(123)	505	(541)	(552)	(592)
Cash From Operating Activities	**1,338**	**1,879**	**1,339**	**1,244**	**1,360**
+ Disposal of Fixed Assets	0	1	1	1	1
+ Capital Expenditures	(378)	(308)	(416)	(425)	(456)
+ Other Investing Activities	(23)	(27)	(116)	(266)	(219)
Cash From Investing Activities	**(401)**	**(335)**	**(531)**	**(690)**	**(674)**
+ Dividends Paid	(102)	(136)	(535)	(498)	(544)
+ Change in long Term Bor.	(11)	(4)	10	20	10
+ Other Financing Activities	4	6	10	5	5
Cash From Financing Activities	**(109)**	**(135)**	**(515)**	**(473)**	**(529)**
Net Changes in Cash	**827**	**1,409**	**292**	**81**	**157**

Sources: Company, Bloomberg and KB Valbury Sekuritas

RATIO ANALYSIS

Year End Dec	2020A	2021A	2022E	2023F	2024F
Valuation Ratios					
Price Earnings*	13.23	8.15	7.11	7.65	7.00
EV to EBIT*	8.94	3.99	3.84	3.72	3.44
EV to EBITDA*	4.60	3.01	2.84	2.74	2.52
Price to Sales*	2.60	1.79	2.02	1.98	1.85
Price to Book*	0.99	0.79	0.87	0.81	0.76
Dividend Yield*	1.5%	4.9%**	5.6%	5.2%	5.7%
Profitability Ratios					
Gross Margin	30.42%	39.96%	30.77%	30.97%	31.17%
EBITDA Margin	44.56%	34.65%	43.89%	43.86%	43.27%
Operating Margin	22.94%	26.18%	34.03%	30.60%	31.36%
Profit Margin	19.68%	21.90%	28.44%	25.88%	26.40%
Return on Assets	6.37%	8.36%	10.47%	9.14%	9.37%
Return on Equity	7.50%	9.75%	12.19%	10.60%	10.83%
Leverage & Coverage Ratios					
Current Ratio	4.89	6.18	6.40	6.63	7.06
Quick Ratio	4.01	5.35	5.56	5.74	6.07
Others					
Asset Turnover	0.32	0.38	0.37	0.35	0.35
Accounts Receivable Turnover	16.51	26.25	25.92	25.04	24.59
Accounts Payable Turnover	8.52	9.74	10.13	10.27	11.06
Inventory Turnover	6.71	7.80	7.71	7.44	7.31

**) based on market price (03/06/2022) at Rp1,395*
***) Estimate*

Sources: Company, Bloomberg and KB Valbury Sekuritas

Disclaimer

This report is prepared by PT KB Valbury Sekuritas, a member of the Indonesia Stock Exchange, or its subsidiaries or its affiliates ("KBVS"). All the material presented in this report is under copyright to KBVS. None of the parts of this material, nor its contents, may be copied, photocopied, or duplicated in any form or by any means or altered in any way, or transmitted to, or distributed to any other party without the prior written consent of KBVS.

The research presented in this report is based on the information obtained by KBVS from sources believed to be reliable, however KBVS do not make representations as to their accuracy, completeness or correctness. KBVS accepts no liability for any direct, indirect and/or consequential loss (including any claims for loss of profit) arising from the use of the material presented in this report and further communication given or relied in relation to this document. The material in this report is not to be construed as an offer or a solicitation of an offer to buy or sell any securities or financial products. This report is not to be relied upon in substitution for the exercise of independent judgement. Past performance and no representation or warranty, express or implied, is made regarding future performance. Information, valuations, opinions, forecasts and estimates contained in this report reflects a judgement at its original date of publication by KBVS and are subject to change without notice, its accuracy is not guaranteed ot it may be incomplete.

The Research Analyst(s) primarily responsible for the content of this research report, in part or as a whole, certifies that the views about the companies and their securities expressed in this report accurately reflect his/her personal views. The Analyst also certifies that no part of his/her compensation was, is or will related to specific recommendation views expressed in this report. It also certifies that the views and recommendations expressed in this report do not and will not take into account client circumstances, objectives, needs and no intentions involved as a use for recommendations for sale or buy any securities or financial instruments.

KB Valbury Sekuritas

Headquarters
Menara Karya, 9th Floor
Jl. H.R. Rasuna Said Blok X-5 Kav 1-2
Jakarta 12950, Indonesia
T +62 21 255 33 600
F +62 21 255 33 778

Branch Office

Jakarta - Kelapa Gading
Rukan Plaza Pasifik
Jl. Raya Boulevard Barat Blok A1 No. 10
Jakarta 11620
T +62 21 - 29451577

Jakarta - Puri Indah
Rukan Grand Aries Niaga
Blok E.1 No. 1 V Jl. Taman Aries, Kembangan,
Jakarta 14450
T +62 21 - 22542390
F +62 21 - 29264310

Jakarta - Pluit
Jl. Pluit Putra Raya No. 2
Jakarta 14240
T +62 21 - 29264300
F +62 21 - 22542391

Bandung
Jl. HOS Cokroaminoto No. 82
Bandung 40171
T +62 22 - 87255888
T +62 22 - 87255800
F +62 22 - 87255811

Semarang
Candi Plaza Building Lt. Dasar
Jl. Sultan Agung No. 90-90A
Semarang 50252
T +62 24 - 3521888
T +62 24 - 8501122
F +62 24 - 8507450

Yogyakarta
Jl. Magelang KM 5.5 no. 75
Yogyakarta 55284
T +62 274 - 4469500
T +62 274 - 623111
F +62 274 - 623222

Surabaya
Pakuwon Center Tunjungan Plaza Lantai 21
Jl. Embong Malang No.1
Surabaya 60261
T +62 31 - 2955777
T +62 31 - 2955788
F +62 31 - 2955716

Denpasar
Komplek Ibis Styles Hotel
Jl. Teuku Umar No. 177
Denpasar Bali 80114
T +62 361 - 255888
T +62 361 - 225229
F +62 361 - 225339

Banjarmasin
Jl.Gatot Subroto No.33 Kel. Kebun Bunga
Kec. Banjarmasin Timur
Kalimantan Selatan 70235
T +62 511 - 3265918
F +62 511 - 3253432

Solo
Jl. Ronggo Warsito no. 34
Solo 57118
T +62 271 632888
F +62 271 656988

Makasar
Ratulangi Points Lt. 3
Jl. Dr Sam Ratulangi No. 2 Kunjungmae, Mariso
Makassar, Sulawesi Selatan 90125
T +62 411 8955999

Malang
Jl. Pahlawan Trip no. 7
Malang 65112
T +62 341 - 585888
F +62 341 - 560056

Medan
Komplek Jati Junction No. P5-5A
Jl. Perintis Kemerdekaan
Medan 20218
T +62 61 - 88816222
F 62 61 - 88816333

Pekanbaru
Jl. Tuanku Tambusai
Komplek CNN Blok A No.3 Pekanbaru 28291
T +62 761 - 839393
Galeri Investasi

Padang
Jl. Kampung Nias II no. 10,
Kel. Belakang Pondok,
Kec. Padang Selatan
T +62 751 8955747

Manado
Kawasan Megamas, Ruko Megaprofit
Blok IF2 No. 38 Manado. 95254
T +62 431 7917 836
F +62 431 880 2129

Solo
Jl. Ronggowarsito No. 34
Surakarta 57118
T +62 271 - 632888

Palembang
Komp. PTC Mall Blok I No. 7 Jl. R. Sukamto Kel. 8 Ilir
Kec. Ilir Timur II Palembang 30114
T 07115700281

Galeri Investasi

Padang
Jl. Kampung Nias II no. 10,
Kel. Belakang Pondok,
Kec. Padang Selatan
T +62 751 8955747

Manado
Kawasan Megamas, Ruko Megaprofit
Blok IF2 No. 38 Manado. 95254
T +62 431 7917 836
F +62 431 880 2129

Solo
Jl. Ronggowarsito No. 34
Surakarta 57118
T +62 271 - 632888

Palembang
Komp. PTC Mall Blok I No. 7 Jl. R. Sukamto Kel. 8 Ilir
Kec. Ilir Timur II Palembang 30114
T 07115700281

Galeri Investasi BEI - KBVS

Yogyakarta
Universitas Kristen Duta Wacana
T +62 274 - 544032

Manado
Universitas Prisma Manado
T 0431 8800850

Jakarta
Universitas Gunadarma
T +62 21 - 8727541