

24 August 2022  
Plantation, Equity

Price IDR 1190  
Target Price IDR 1685  
JKSE Index 7177.737

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## Investment Consideration

### Slower 1H22 production

As of 1H2022, Total FFB and CPO production decreased -21% YoY and -23% YoY respectively driven by weather conditions and oil palm replanting. In 2Q22, FFB nucleus and CPO production increased 24% and 42% respectively compared to the 1Q22. Palm kernel production volume during 1H22 decreased 21% YoY. LSIP's total oil palm planted area as of 1H22 decreased to 85,259 hectares (ha) from 85,630 ha in 2021. Meanwhile, total planted area include rubber in 1H22 was 112,880 ha, down from 114,111 ha in 2021. CPO extraction rate and palm kernel extraction rate during 1H22 were 22.1% and 6.3% respectively. We estimate FFB and CPO production in 2022 will grow -20% respectively inline with the 1H22 result. CPO and PK extraction rates will be 22.60% and 6.27% respectively inline with lower CPO and palm kernel production.

### Higher bottom line

In 1H22 LSIP revenue decreased by -6% YoY from IDR 2,18 trillion to IDR 2,05 trillion. The decrease in revenue is in line with the lower sales volume, despite the higher price of CPO. As a result LSIP was able to book a net profit of IDR 549 billion, up by 9% YoY. LSIP maintained its healthy financial position with no bank loans as of 1H22. We estimate bottom line profit in 2022F will reach IDR 1,29 trillion compared to IDR. 991 billion in 2021A, due to a lower cost of revenue as of 1H22 from cost control and efficiency and a higher average selling price. Going forward, we estimate CPO prices will not rise higher than current price as we expect supply and demand in the market to normalize.

### Valuation: 41.6% upside

We estimate a TP within one year of IDR. 1,685 which is EV/EBITDA of 2,63x and EV/ha of 3,392 USD/Ha or trading at 15.05x PER. With 41.6% upside, we recommend to BUY.

Stock Code LSIP IJ  
Bloomberg code LSIP IJ  
Market cap (IDR.bn) 8,255  
52-Week High (IDR) 1,570  
52-Week Low (IDR) 1,040  
Avg Daily. Val (IDR) 1,185  
Free Float (%) 40.38

Major Shareholders (%)  
SIMP 59.51%  
Indofood Agri resources, Ltd 0.11%  
Public 40.38%

USD/IDR-YE  
2021A 14278  
2022F 14837

Key Indicators  
Current ratio 9.28  
EBITDA Margin (%) 49.50

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Financial Highlights	2019 A	2020 A	2021 A	2022 F	2023 F
<b>Profitability</b>					
Operating Margin(%)	8.1%	23.1%	26.3%	39.5%	28.4%
EBITDA margin(%)	21.7%	46.9%	44.5%	60.0%	49.5%
NET Profit margin(%)	6.9%	19.7%	21.9%	29.1%	19.8%
ROE (%)	3.0%	7.5%	9.7%	11.0%	6.1%
ROA (%)	2.5%	6.4%	8.4%	9.5%	5.5%
<b>Stability</b>					
Debt/ Equity (x)	-	-	0.00	0.00	0.00
Current ratio	4.70	4.89	6.18	7.87	9.28
Debt Ratio (x)	0.17	0.15	0.14	0.14	0.11

**Company Profile**

PT PP London Sumatra Indonesia Tbk, also known as ‘Lonsum’ was established in 1906 when Harrisons & Crosfield Plc, a general trading and plantation management services firm based in London, UK, started its first plantation in Indonesia near he City of medan in North Sumatra. Lonsum listed its shares on Jakarta and Surabaya Stock Exchanges (now Indonesia Stock Exchange) in 1996. In 2007, Indofood Agri Resources Ltd (IndoAgri) through its subsidiary, PT Salim Ivomas Pratama Tbk (SIMP) acquired and became Lonsum’s majority shareholder. Since the acquisition, Lonsum is part of PT Indofood Sukses Makmur Tbk’s (Indofood) group and Synergising with other Companies under Indofood group. Lonsum’s estates are located in Sumatra, kalimantan, Java, and Sulawesi. As of Dec 2021, total nucleus plantes area was 114,111 hectares comprising 93,835 hectares of oil palm, followed by 16,228 hectares of rubber and 4,030 hectares of other crops mainly cocoa and tea. Lonsum’s oil palm and rubber plantation under the plasma programme was 34,879 hectares.

**Company Structure**

I. As of 1H22

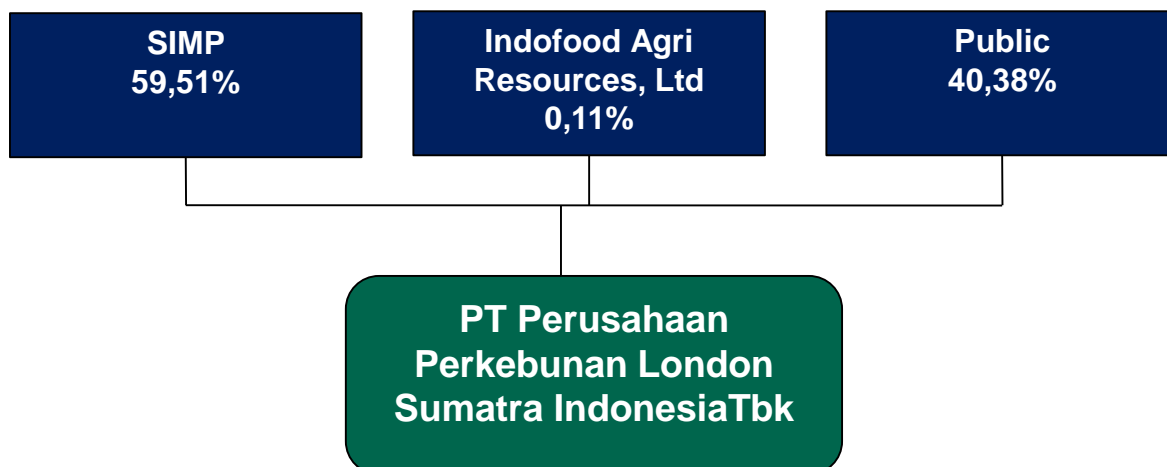


Chart: FFB vs CPO production yoy (in mn tons)

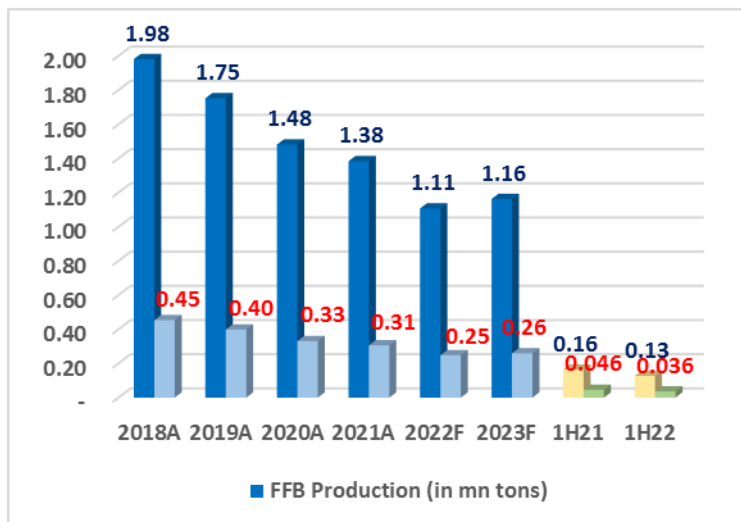


Chart: cash cost/ha (IDR.000) yoy

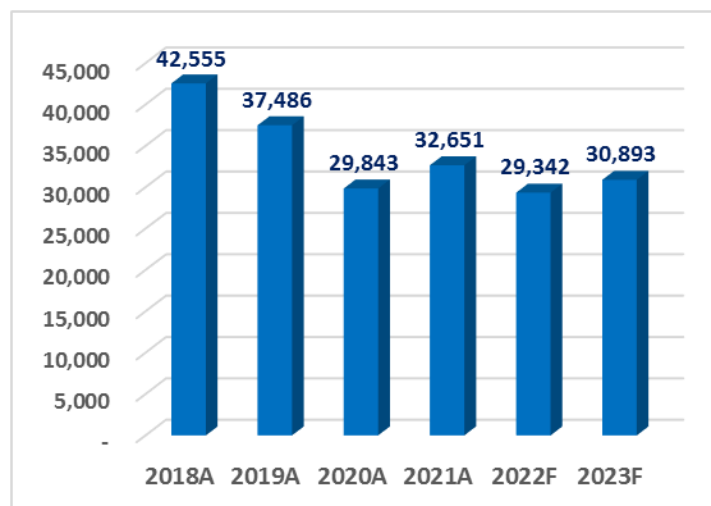


Chart: LSIP's planted area (ha) yoy

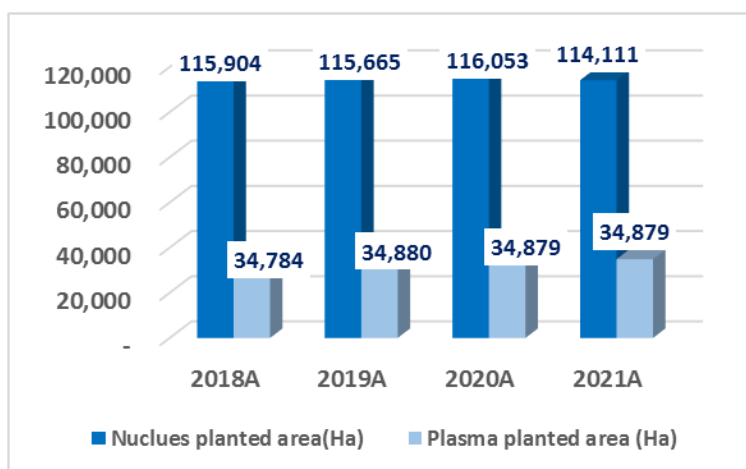


Chart: FFB yield/ha yoy

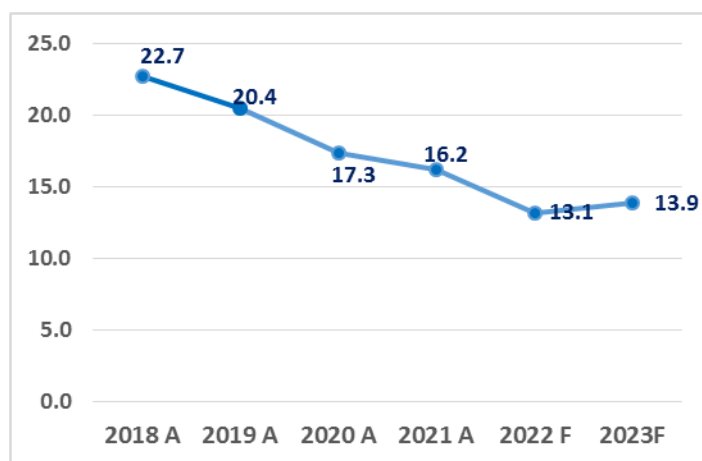
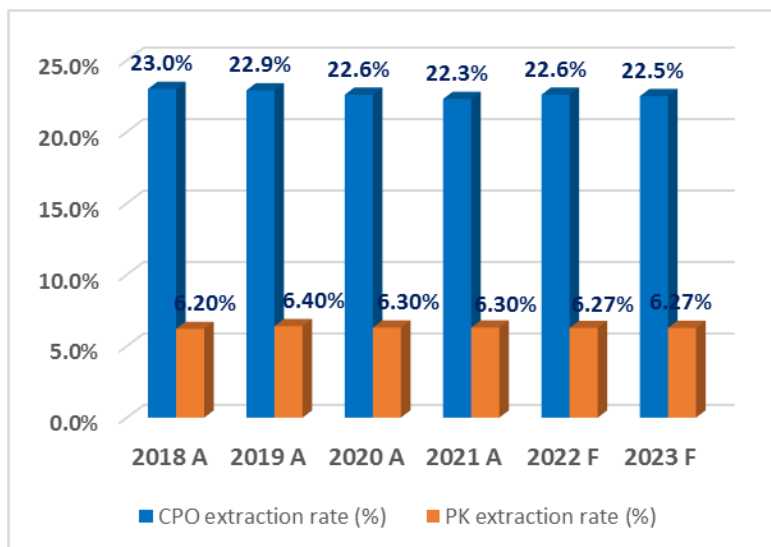


Chart: CPO extraction rate vs PK extraction rate (%) yoy



Profit and Loss

Profit and Loss (IDR.bn)	2018 A	2019 A	2020 A	2021 A	2022 F	2023 F	2024 F
net sales	4,020	3,699	3,537	4,525	4,427	3,840	3,784
Cost of Sales	(3,337)	(3,138)	(2,461)	(2,717)	(2,412)	(2,498)	(2,689)
Gross Profit	683	562	1,076	1,808	2,014	1,342	1,095
Operating expense	(343)	(261)	(260)	(617)	(266)	(250)	(246)
Operating Profit	340	301	816	1,191	1,749	1,092	849
Other income	77	52	44	56	(35)	(77)	(76)
Pretax income(PBT)	417	353	860	1,247	1,714	1,015	773
taxes	(88)	(100)	(165)	(256)	(428)	(254)	(193)
Minority interest	1.9	1.3	0.5	0.8	1.7	0.0	0.7
EPS	49	37	102	145	189	112	85
Net Profit	331	254	696	991	1,287	762	581
EBITDA	878	804	1,658	2,014	2,655	1,900	1,146

Balance Sheet

Balance Sheet (IDR.bn)	2018 A	2019 A	2020 A	2021 A	2022 F	2023 F	2024 F
Cash and cash equivalent	1,663	1,132	1,959	3,368	4,406	4,504	4,304
Trade Account Receivable	69	367	214	172	292	211	200
inventory	489	342	364	368	661	691	810
Other current asset	223	352	383	400	431	376	358
<b>Current Asset</b>	<b>2,444</b>	<b>2,192</b>	<b>2,920</b>	<b>4,308</b>	<b>5,790</b>	<b>5,782</b>	<b>5,672</b>
Fixed Asset	6,235	6,311	6,313	5,827	6,217	6,802	7,435
other long term asset	1,359	1,722	1,689	1,717	1,549	1,344	1,361
<b>Total non current Asset</b>	<b>7,593</b>	<b>8,033</b>	<b>8,003</b>	<b>7,543</b>	<b>7,767</b>	<b>8,146</b>	<b>8,796</b>
<b>Total Asset</b>	<b>10,037</b>	<b>10,225</b>	<b>10,923</b>	<b>11,851</b>	<b>13,556</b>	<b>13,928</b>	<b>14,469</b>
Trade Account Payable	234	235	164	212	231	186	186
acrued expenses	29	19	35	13	26	24	19
Other Payable	78	85	95	96	105	92	87
Other current liabilities	185	129	303	375	373	321	317
<b>Total current liabilities</b>	<b>525</b>	<b>467</b>	<b>597</b>	<b>697</b>	<b>735</b>	<b>623</b>	<b>610</b>
Lease liabilities	0	0	0	4	2	2	2
Other Long term liabilities	1,180	1,260	1,039	978	1,129	905	928
<b>Total long term/ non current liabilities</b>	<b>1,180</b>	<b>1,260</b>	<b>1,039</b>	<b>982</b>	<b>1,131</b>	<b>907</b>	<b>930</b>
<b>Total Liabilities</b>	<b>1,705</b>	<b>1,727</b>	<b>1,636</b>	<b>1,679</b>	<b>1,866</b>	<b>1,530</b>	<b>1,540</b>
non controlling interest	4	3	2	1	2	2	2
<b>Total Equities</b>	<b>8,328</b>	<b>8,496</b>	<b>9,284</b>	<b>10,171</b>	<b>11,688</b>	<b>12,396</b>	<b>12,927</b>
<b>Total Liabilities &amp; Equity</b>	<b>10,037</b>	<b>10,225</b>	<b>10,923</b>	<b>11,851</b>	<b>13,556</b>	<b>13,928</b>	<b>14,469</b>

**Cash Flow**

Cash Flow (IDR.bn)	2019A	2020A	2021A	2022F	2023F	2024F
+ Net Income	254	696	991	1,287	762	581
Depreciation	385	380	373	483	509	0
- Change in WC	(338)	230	121	(405)	(7)	(104)
<b>Cash From Operating Activities</b>	<b>300</b>	<b>1,305</b>	<b>1,485</b>	<b>1,366</b>	<b>1,263</b>	<b>477</b>
Net fixed asset	(461)	(382)	114	(874)	(1,093)	(633)
other long term asset	(363)	33	(28)	167	205	(17)
<b>cash from investing activities</b>	<b>(824)</b>	<b>(349)</b>	<b>87</b>	<b>(707)</b>	<b>(888)</b>	<b>(650)</b>
Long term liabilities	0	0	4	(2)	1	(0)
Other Long term liabilities	80	(221)	(61)	151	(224)	24
equity	(88)	92	(105)	230	(54)	(50)
<b>cash from financing activities</b>	<b>(8)</b>	<b>(129)</b>	<b>(162)</b>	<b>379</b>	<b>(278)</b>	<b>(27)</b>
Net Changes in Cash	(532)	827	1,409	1,038	98	(200)
<b>Beginning Balance</b>	<b>1663</b>	<b>1132</b>	<b>1959</b>	<b>3368</b>	<b>4406</b>	<b>4504</b>
<b>Ending balance</b>	<b>1,132</b>	<b>1,959</b>	<b>3,368</b>	<b>4,406</b>	<b>4,504</b>	<b>4,304</b>

**Ratio Financial Highlights**

	2019 A	2020 A	2021 A	2022 F	2023 F
<b>Growth (% YoY)</b>					
Net Revenue	-8%	-4%	28%	-2%	-13%
OP	-12%	172%	46%	47%	-38%
EBITDA	-8%	106%	21%	32%	-28%
NP	-23%	174%	42%	30%	-41%
EPS	-23%	174%	42%	30%	-41%
<b>Profitability</b>					
Operating Margin(%)	8.1%	23.1%	26.3%	39.5%	28.4%
EBITDA margin(%)	21.7%	46.9%	44.5%	60.0%	49.5%
NET Profit margin(%)	6.9%	19.7%	21.9%	29.1%	19.8%
ROE (%)	3.0%	7.5%	9.7%	11.0%	6.1%
ROA (%)	2.5%	6.4%	8.4%	9.5%	5.5%
<b>Stability</b>					
Debt/ Equity (x)	-	-	0.00	0.00	0.00
Current ratio	4.70	4.89	6.18	7.87	9.28
Debt Ratio (x)	0.17	0.15	0.14	0.14	0.11
<b>Per Share data (Rp)</b>					
EPS	37.21	102.01	145.28	188.64	111.62
BVS	1,245.2	1,360.8	1,490.8	1,713.1	1,816.8

**Stock Ratings:**

Buy: a recommendation to purchase the security with upside potential of 20% or greater

Hold: a recommendation to neither buy nor sell a security with upside potential of 0-20%.

Sell: a recommendation to close out a long position in a security with upside potential below 0% or negative.

**RESEARCH TEAM**  
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