

6 July 2023
Plantation, Equity

Price IDR 1035
Target Price IDR 1310
JKSE Index 6762,68

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Investment Consideration

Strong Production Growth in 1Q23

In 1Q23, LSIP achieved double-digit growth in both Total FFB and CPO production, with increases of 20% YoY and 18% YoY respectively. This growth was driven by a 12% YoY increase in FFB nucleus production to 235,000 tonnes and a significant 139% YoY increase in FFB external purchases to 38,000 tonnes. Palm kernel production volume also rose by 20% YoY. LSIP's total oil palm planted area decreased to 83,742 hectares (ha) in 2022, compared to 85,630 ha in 2021. Additionally, the total planted area, including rubber, decreased to 111,240 ha in 2022 from 114,111 ha in 2021. The CPO extraction rate and palm kernel extraction rate during 1Q23 were 21.79% and 6.27% respectively. Based on these results, we estimate that FFB and CPO production will grow by 22% in 2023, in line with the performance in 1Q23. The CPO and PK extraction rates are projected to remain at 22.49% and 6.27% respectively.

Lower Profit

In 1Q23, LSIP's revenue increased by 18% YoY, reaching IDR 904 billion from IDR 765 billion. This growth is attributed to higher sales volume, despite the lower price of CPO. However, LSIP's bottom line experienced a decline of -63% YoY in 1Q23 due to a significant increase in raw material costs of +72% YoY, driven by higher CPO and FFB production of +17% YoY and +20% YoY respectively. Nevertheless, LSIP maintains a healthy financial position with no bank loans as of 1Q23. We estimate that the bottom line profit in 2023F will reach IDR 1.17 trillion compared to IDR 1.04 trillion in 2022A, primarily due to lower cost of revenue resulting from cost control and efficiency measures. Looking ahead, we anticipate CPO prices to stabilize without significant increases, as we expect supply and demand in the market to normalize.

Valuation: 27% upside

Based on our estimation, we recommend a target price of IDR 1,310 within one year, representing an EV/EBITDA ratio of 2.62x and an EV/ha ratio of 2,042 USD/Ha, or trading at 8.30x PER. With a potential upside of 27%, we recommend a BUY.

Financial Highlights	2019 A	2020 A	2021 A	2022 A	2023 F	2024 F
Profitability						
Operating Margin(%)	8.1%	23.1%	26.3%	26.3%	25.1%	23.1%
EBITDA margin(%)	21.7%	46.9%	44.5%	43.8%	42.6%	40.7%
NET Profit margin(%)	6.9%	19.7%	21.9%	22.6%	21.1%	19.6%
ROE (%)	3.0%	7.5%	9.7%	9.5%	9.9%	8.6%
ROA (%)	2.5%	6.4%	8.4%	8.3%	8.6%	7.5%
Stability						
Debt/ Equity (x)	0.20	0.18	0.17	0.14	0.15	0.14
Current ratio	4.70	4.89	6.18	7.20	7.85	8.42
Debt Ratio (x)	0.17	0.15	0.14	0.12	0.13	0.12

Stock Code LSIP IJ
Bloomberg code LSIP IJ
Market cap (IDR.bn) 6.960
52-Week High (IDR) 1,020
52-Week Low (IDR) 1,005
Avg Daily. Val (IDR) 993
Free Float (%) 40.38

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

USD/IDR-YE
2022A 15573
2023F 15000

Key Indicators
Current ratio 8.42
EBITDA Margin (%) 40.70

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Company Profile

PT. London Sumatra Indonesia Tbk is engaged in oil palm and rubber plantations. Its main products are crude palm oil and rubber as well as small amounts of cocoa, tea and grains. The company is a subsidiary of PT Salim Ivomas Pratama Tbk (SIMP). The Company started its commercial operations in 1963. LSIP is a diversified and vertically integrated agribusiness. Their operations span the entire supply chain, from plantation management and crop production. They operate processing facilities to produce palm oil, rubber, cocoa and tea. In Indonesia, their oil palm estates are largely located in rural Sumatra and Kalimantan.

Company Structure

I. As of 1Q23

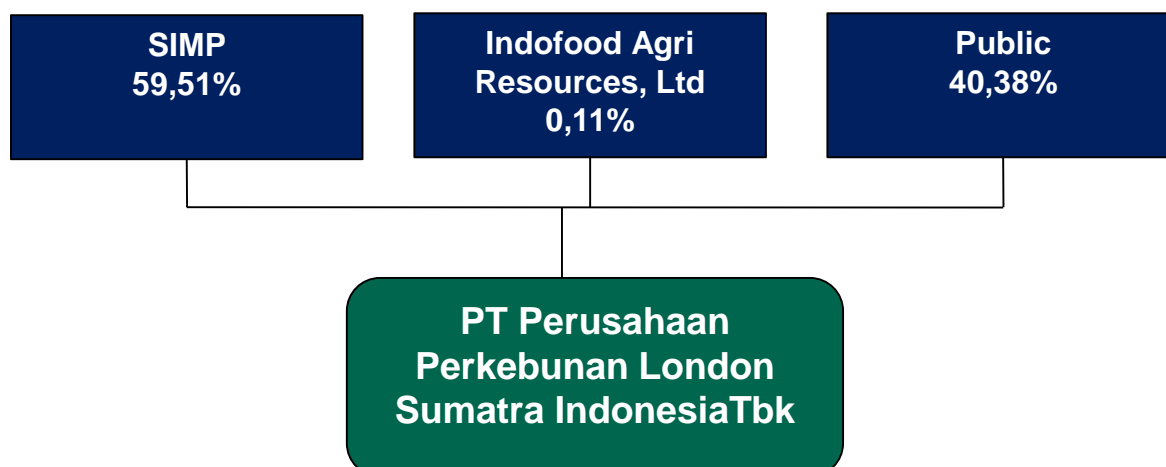


Chart: FFB vs CPO production yoy (in mn tons)

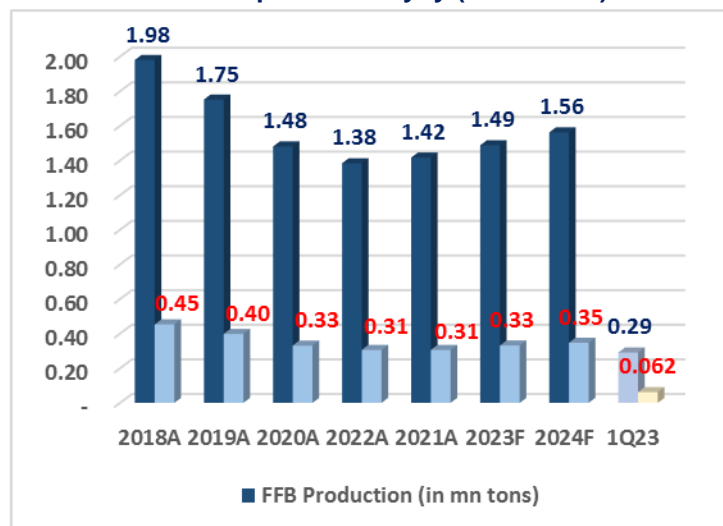


Chart: cash cost/ha (IDR.000) yoy

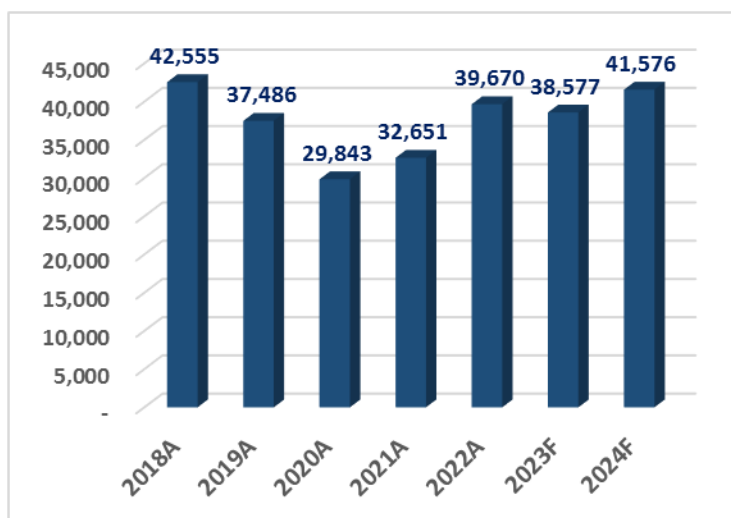


Chart: LSIP's planted area (ha) yoy

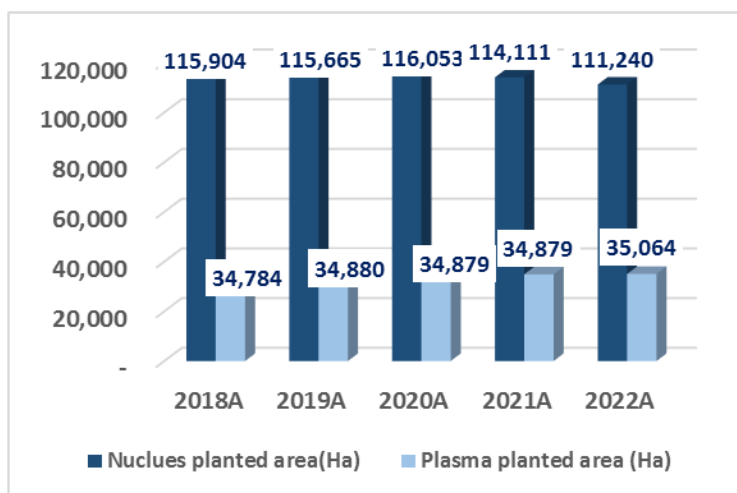


Chart: FFB yield/ha yoy

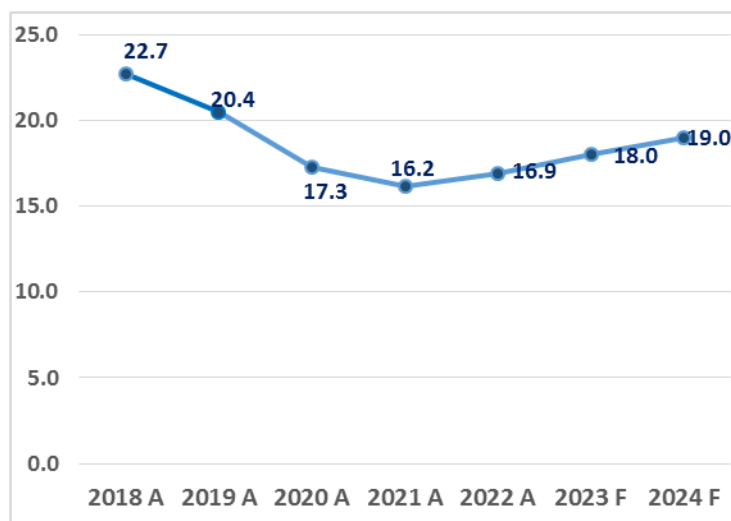
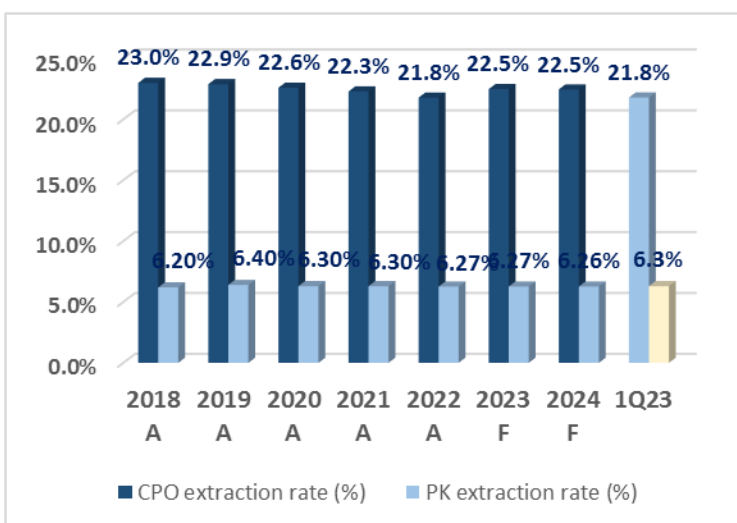


Chart: CPO extraction rate vs PK extraction rate (%) yoy



Profit and Loss

Profit and Loss (IDR.bn)	2019 A	2020 A	2021 A	2022 A	2023 F	2024 F	2025 F
Revenue	3,699	3,537	4,525	4,585	5,560	5,489	5,776
COGS	(3,138)	(2,461)	(2,717)	(3,094)	(3,802)	(3,866)	(4,067)
Gross Profit	562	1,076	1,808	1,491	1,758	1,623	1,709
Operating expense	(261)	(260)	(617)	(286)	(361)	(357)	(375)
Operating Profit	301	816	1,191	1,206	1,396	1,266	1,334
Other income	52	44	56	78	167	165	173
Pretax income(PBT)	353	860	1,247	1,284	1,563	1,431	1,507
taxes	(100)	(165)	(256)	(248)	(391)	(358)	(377)
Minority interest	1.3	0.5	0.8	1.2	0.0	1.0	1.8
EPS	37	102	145	152	172	157	166
Net Profit	254	696	991	1,036	1,172	1,074	1,132
EBITDA	804	1,658	2,014	2,007	2,367	2,237	1,507

Balance Sheet

Balance Sheet (IDR.bn)	2019 A	2020 A	2021 A	2022 A	2023 F	2024 F	2025 F
Cash and cash equivalent	1,132	1,959	3,368	3,811	4,425	4,802	5,032
Trade Account Receivable	367	214	172	226	305	260	292
inventory	342	364	368	653	813	826	869
Other current asset	352	383	400	417	556	549	578
Current Asset	2,192	2,920	4,308	5,107	6,098	6,437	6,770
Fixed Asset	6,311	6,313	5,827	5,666	5,361	5,800	6,265
other long term asset	1,722	1,689	1,717	1,644	2,113	2,031	2,137
Total non current Asset	8,033	8,003	7,543	7,310	7,473	7,831	8,402
Total Asset	10,225	10,923	11,851	12,417	13,571	14,268	15,172
Trade Account Payable	235	164	212	330	259	256	269
acrued expenses	19	35	13	24	28	24	28
Other Payable	85	95	96	80	101	100	105
Other current liabilities	129	303	375	275	389	384	404
Total current liabilities	467	597	697	710	777	764	807
Lease liabilities	0	0	4	0	0	0	0
Other Long term liabilities	1,260	1,039	978	772	1,001	988	1,040
Total long term/ non current liabilities	1,260	1,039	982	772	1,001	988	1,040
Total Liabilities	1,727	1,636	1,679	1,481	1,778	1,752	1,847
non controlling interest	3	2	1	0	0	0	0
Total Equities	8,496	9,284	10,171	10,936	11,793	12,515	13,325
Total Liabilities & Equity	10,225	10,923	11,851	12,417	13,571	14,268	15,172

Cash Flow

Cash Flow (IDR.bn)	2019A	2020A	2021A	2022A	2023F	2024F	2025F
+ Net Income	254	696	991	1,036	1,172	1,074	1,132
Depreciation	385	380	373	360	368	382	0
- Change in WC	(338)	230	121	(343)	(310)	25	(60)
Cash From Operating Activities	300	1,305	1,485	1,053	1,231	1,481	1,072
Net fixed asset	(461)	(382)	114	(199)	(63)	(821)	(465)
other long term asset	(363)	33	(28)	73	(469)	82	(106)
cash from investing activities	(824)	(349)	87	(126)	(532)	(739)	(572)
Long term liabilities	0	0	4	(4)	0	0	0
Other Long term liabilities	80	(221)	(61)	(207)	229	(13)	52
equity	(88)	92	(105)	(273)	(315)	(352)	(322)
cash from financing activities	(8)	(129)	(162)	(484)	(86)	(364)	(270)
Net Changes in Cash	(532)	827	1,409	444	613	377	230
Beginning Balance	1663	1132	1959	3368	3811	4425	4802
Ending balance	1,132	1,959	3,368	3,811	4,425	4,802	5,032

Ratio Financial Highlights

	2019 A	2020 A	2021 A	2022 A	2023 F	2024 F	2025 F
Growth (% YoY)							
Net Revenue	-8%	-4%	28%	1%	21%	-1%	5%
OP	-12%	172%	46%	1%	16%	-9%	5%
EBITDA	-8%	106%	21%	0%	18%	-6%	-33%
NP	-23%	174%	42%	5%	13%	-8%	5%
EPS	-23%	174%	42%	5%	13%	-8%	5%
Profitability							
Operating Margin(%)	8.1%	23.1%	26.3%	26.3%	25.1%	23.1%	23.1%
EBITDA margin(%)	21.7%	46.9%	44.5%	43.8%	42.6%	40.7%	26.1%
NET Profit margin(%)	6.9%	19.7%	21.9%	22.6%	21.1%	19.6%	19.6%
ROE (%)	3.0%	7.5%	9.7%	9.5%	9.9%	8.6%	8.5%
ROA (%)	2.5%	6.4%	8.4%	8.3%	8.6%	7.5%	7.5%
Stability							
Tot Debt/ Equity (x)	0.20	0.18	0.17	0.14	0.15	0.14	0.14
Current ratio	4.70	4.89	6.18	7.20	7.85	8.42	8.39
Debt Ratio (x)	0.17	0.15	0.14	0.12	0.13	0.12	0.12
Per Share data (Rp)							
EPS	37.21	102.01	145.28	151.91	171.83	157.42	165.93
BVS	1,245.2	1,360.8	1,490.8	1,602.8	1,728.5	1,834.3	1,953.0

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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