London Sumatra Indonesia Tbk (LSIP IJ)

Masih Positif Namun di Bawah Ekspektasi

LSIP membukukan laba bersih 1H20 sebesar Rp92 miliar atau melonjak 778% YoY, yang berkontribusi pada 32% dari target revisi 2020F kami tetapi masih di bawah ekspektasi sekitar 24%. Kenaikan ASP 21% YoY, keuntungan valas, dan penurunan biaya mendorong peningkatan margin meskipun produksi CPO lebih rendah. Kami memangkas estimasi 2020F karena performa 1H20 yang kurang memuaskan. Namun kami tetap mempertahankan rekomendasi BUY untuk LSIP.

Kinerja Lemah Namun Masih Positif

LSIP membukukan laba bersih 1H20 sebesar Rp92 miliar yang berkontribusi 32% dari target 2020F kami (target revisi). Kondisi itu disebabkan volume penjualan yang lebih rendah dari perkiraan akibat penurunan produksi CPO. Tapi kami masih melihat hasil 1H20 secara positif karena ASP meningkat 21% YoY, keuntungan valas, dan biaya yang lebih rendah berdampak pada margin yang lebih baik. Laba bersih LSIP berada di bawah ekspektasi kami (-24%) di 1H20 dan kami tetap optimis LSIP bisa meraih laba bersih hingga Rp284 miliar tahun ini.

Produksi Lebih Rendah dan Program Replanting

Produksi TBS dan CPO pada 1H20 masing-masing turun 7% dan 14% YoY. LSIP mencatatkan tingkat ekstraksi yang lebih rendah sebesar 23,0% di 1H20 (vs. 23,2% di 1H19). Menurut kami, hal itu karena *yield* yang lebih rendah akibat dampak cuaca kering pada pohon kelapa sawit milik LSIP dengan rata-rata umur 16 tahun. Selain itu, target LSIP untuk peremajaan dan penanaman baru sekitar 1.000 ha pada tahun 2020 akan memberikan sentimen positif untuk jangka panjang.

Menurunkan Estimasi Kami untuk 2020F

Kami memotong besaran estimasi kami untuk pendapatan dan laba bersih 2020F sekitar 4,4% YoY dan 4,1% YoY masing-masing (halaman 4), mempertimbangkan: 1) produksi di 2H20 tidak mampu mengimbangi penurunan produksi di 1H20 yang akan membuat produksi CPO turun sekitar 7% YoY di 2020; 2) curah hujan tinggi akan menganggu produktivitas dari perkebunan di 4Q20. Namun, ROE 2020F diharapkan dapat sedikit meningkat ke 3,3%.

Mempertahankan Rating BUY dengan Target Harga Lebih Tinggi di Rp1.200

Kami masih mempertahankan rekomendasi BUY untuk LSIP dengan target harga Rp1.200 (dari Rp1.000) karena: 1) harga CPO diperkirakan berada di rentang RM2.400-RM2.800/ton yang akan menaikkan ASP di 2H20; 2) konsumsi domestik untuk biodiesel yang lebih tinggi sebagai momentum positif untuk industri. Target harga baru kami berdasarkan forward P/E 24,2x (+0,75 SD dari rata-rata 10 tahun terakhir), mengimplikasikan 2020F P/E 28,9x. Saat ini LSIP diperdagangkan dengan P/E 21,2x atau terdiskon 46% dari P/E sektoral sebesar 39,7x.

London Sumatra Indonesia Tbk | Summary

	2019A	2020F	2021F	2022F
Revenue (IDR bn)	3,699	3,719	4,099	4,320
Growth (%)	-8.0	0.5	10.2	5.4
EBITDA (IDR bn)	687	709	843	926
Net Profit (IDR bn)	254	284	342	409
EPS (IDR)	37	42	50	60
Growth (%)	-23.4	11.7	20.4	19.4
P/E (x)	40.2	28.9	23.9	20.0
P/BV (x)	1.2	1.0	0.9	0.9
EV/EBITDA (x)	15.7	12.0	9.6	8.3
ROE (%)	3.0	3.3	3.9	4.5
DER (%)	20.3	23.6	24.7	28.0
Net Debt (IDR bn)	-1,132	-1,426	-1,764	-2,252

Source: Company Data, Bloomberg, NHKSI Research

Please consider the rating criteria & important disclaimer

NH KORINDO SEKURITAS

Company Update | Aug 13, 2020

Buy

Target Price (IDR)	**1,200**
Consensus Price (IDR)	1,154
TP to Consensus Price (%)	+4.0
vs. Last Price (%)	+21.2

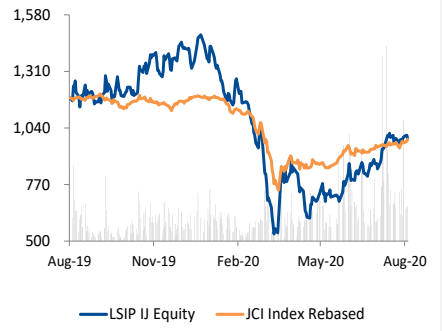
Shares Data

Last Price (IDR)	990
Price Date as of	Aug 12, 2020
52 wk Range (Hi/Lo)	1,490/498
Free Float (%)	40.4
Outstanding Shares (mn)	6,823
Market Cap (IDR bn)	6,754
Market Cap (USD mn)	456
Avg. Trd Vol - 3M (mn)	33.9
Avg. Trd Val - 3M (bn)	30.0
Foreign Ownership (%)	7.3

Agriculture
Plantation

Bloomberg	**LSIP IJ**
Reuters	**LSIP.JK**

Share Price Performance



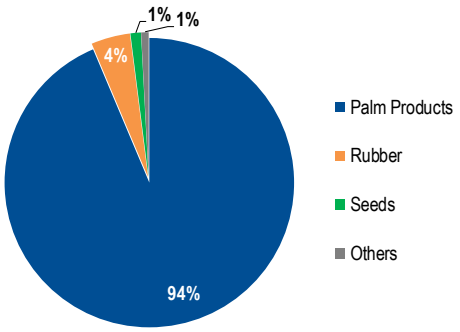
	YTD	1M	3M	12M
Abs. Ret.	-31.7%	17.2%	36.6%	-15.4%
Rel. Ret.	-15.0%	13.1%	22.5%	0.9%



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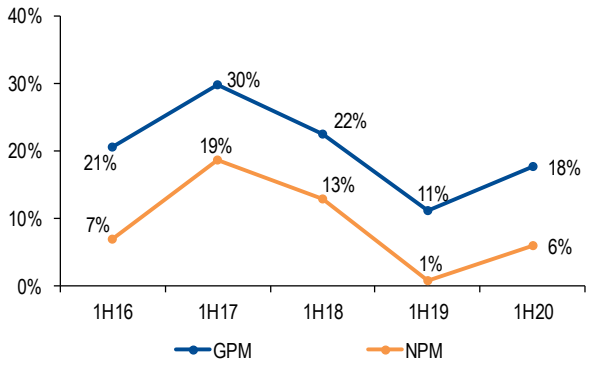
Performance Highlights in Charts

1H20 Revenue Breakdown



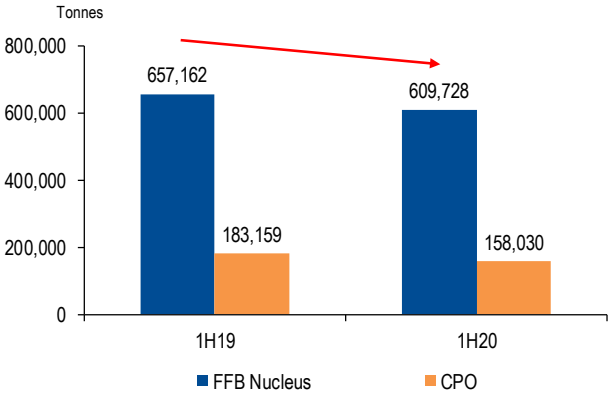
Source: Company Data, NHKSI Research

Margin Ratios



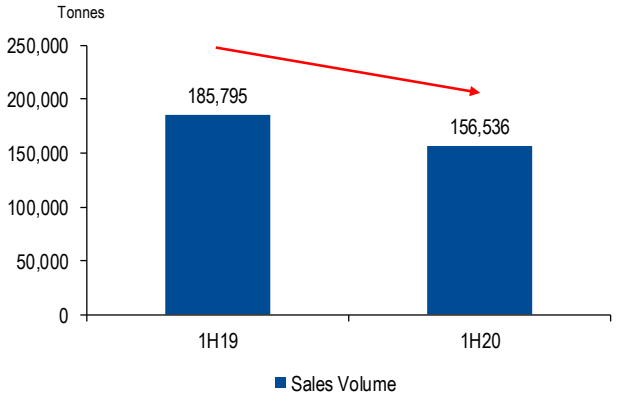
Source: Company Data, NHKSI Research

FBB & CPO Production



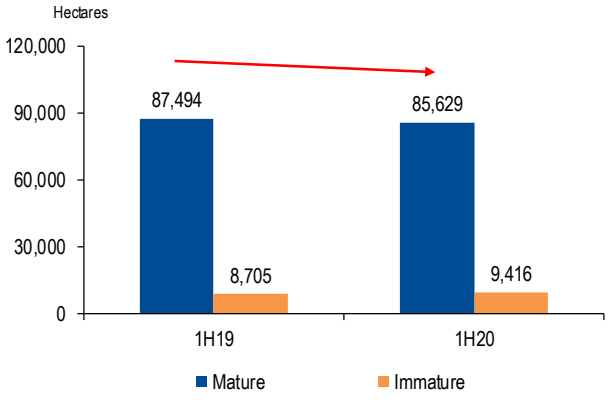
Source: Company Data, NHKSI Research

CPO Sales Volume



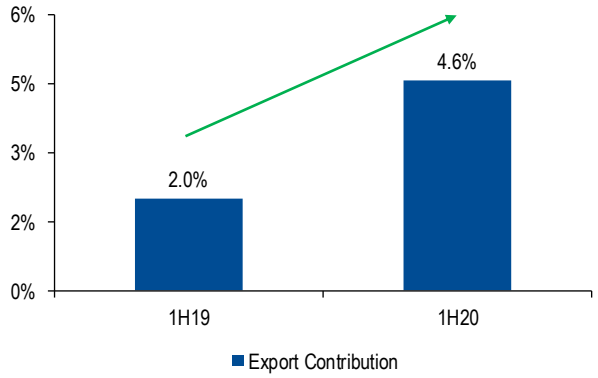
Source: Company Data, NHKSI Research

Nucleus Planted Area of Oil Palm



Source: Company Data, NHKSI Research

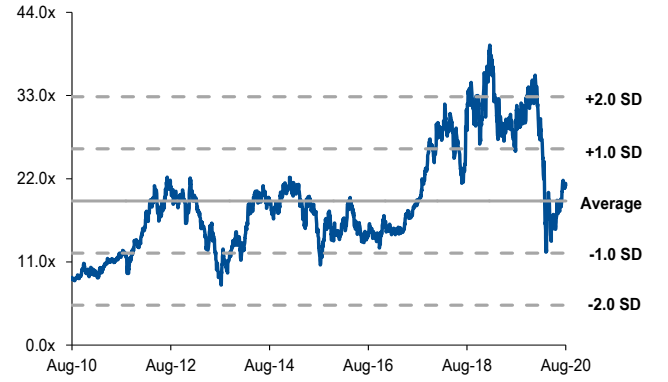
Export Contribution to Total Sales



Source: Company Data, NHKSI Research

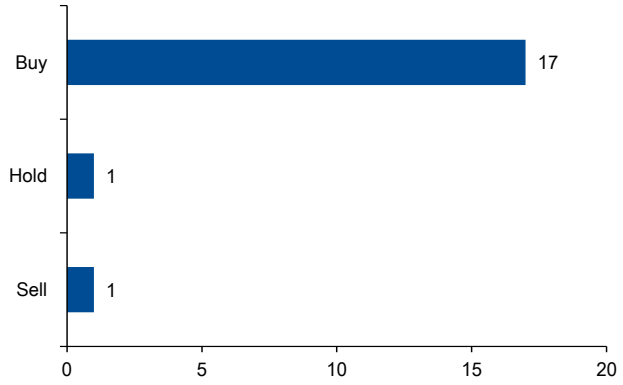
Valuation & Other Highlights in Charts

10-Year Forward P/E Band



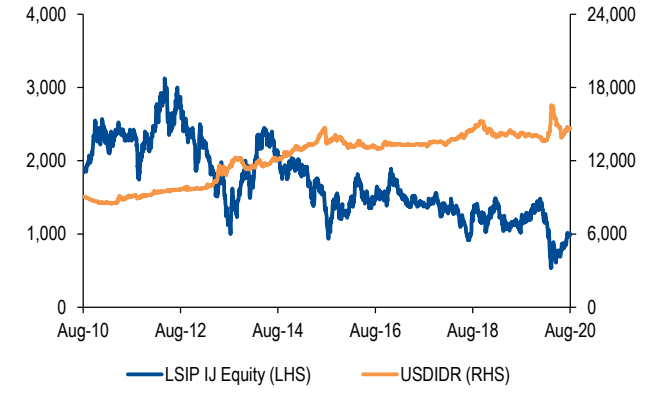
Source: Bloomberg, NHKSI Research

Recommendation by Analysts



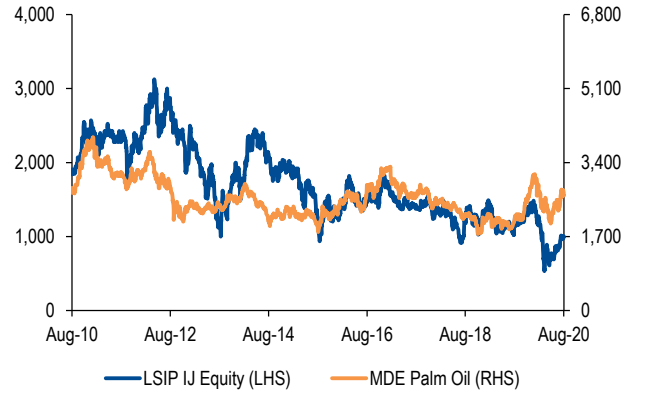
Source: Bloomberg, NHKSI Research

10-Year LSIP & USDIDR Movement



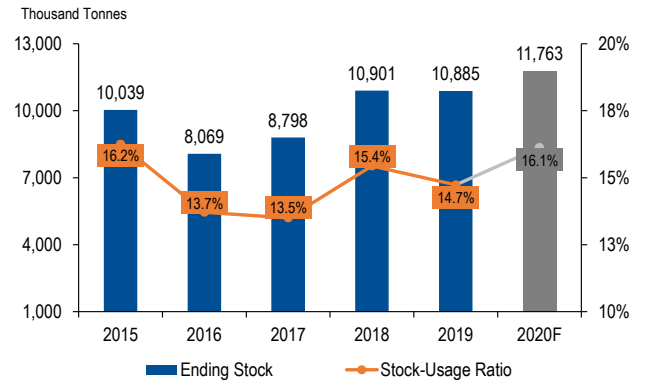
Source: Bloomberg, NHKSI Research

10-Year LSIP & CPO Prices Movement



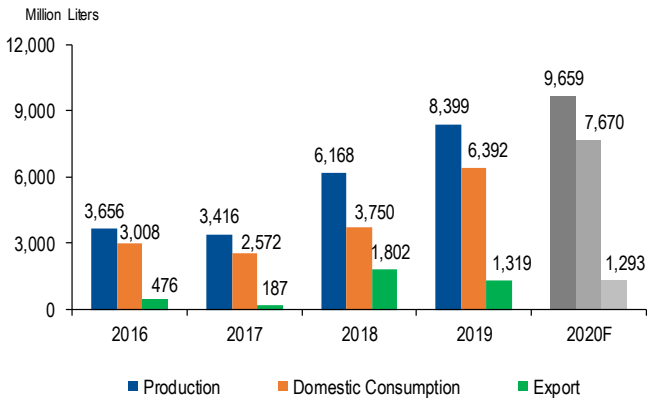
Source: Bloomberg, NHKSI Research

Global CPO Inventory



Source: USDA, NHKSI Research

Indonesia's Biodiesel Statistics



Source: APROBI, NHKSI Research

Financial Review

Quarterly Review

	2Q19	3Q19	4Q19	1Q20	2Q20					3Q20E
					Actual	Estimate	YoY %	QoQ %	Surprise %	
Income Statement										
Revenue	668	990	1,113	810	756	758	13.2	-6.7	-0.3	1,035
Gross Profit	40	118	268	152	124	108	211.5	-17.9	15.2	111
EBIT	-49	54	265	86	-9	54	-82.4	-110.1	-116.1	76
EBITDA	44	151	363	185	88	151	100.7	-52.2	-41.7	178
Net Profit	-28	42	201	81	11	40	-138.9	-86.5	-72.5	76
Margin										
Gross Margin	6.0	11.9	24.0	18.7	16.5	14.2	10.5	-2.3	2.2	10.7
EBIT Margin	-7.4	5.4	23.8	10.6	-1.1	7.1	6.3	-11.7	-8.2	7.3
EBITDA Margin	6.6	15.3	32.6	22.8	11.7	20.0	5.1	-11.1	-8.3	17.2
Net Profit Margin	-4.2	4.2	18.1	10.0	1.4	5.2	5.7	-8.6	-3.8	7.3

Unit: IDR bn, %

Source: Company Data, NHKSI Research

Earnings Revisions

		2020F	2021F	2022F
Income Statement				
Revenue	Revised	3,719	4,099	4,320
	Previous	3,892	4,105	4,333
	Change %	-4.4	-0.1	-0.3
	Consensus	3,503	3,724	4,007
Gross Profit	Revised	589	734	830
	Previous	665	741	863
	Change %	-11.3	-0.9	-3.8
	Consensus	688	799	876
EBIT	Revised	317	437	513
	Previous	378	438	544
	Change %	-16.0	-0.2	-5.6
	Consensus	400	514	571
EBITDA	Revised	709	843	926
	Previous	783	871	999
	Change %	-9.4	-3.2	-7.3
	Consensus	929	926	1,010
Net Profit	Revised	284	342	409
	Previous	296	343	423
	Change %	-4.1	-0.1	-3.2
	Consensus	326	427	488
Margin				
Gross Margin	Revised	15.8	17.9	19.2
	Previous	17.1	18.1	19.9
EBIT Margin	Revised	8.5	10.7	11.9
	Previous	9.7	10.7	12.5
EBITDA Margin	Revised	19.1	20.6	21.4
	Previous	20.1	21.2	23.1
Net Profit Margin	Revised	7.6	8.4	9.5
	Previous	7.6	8.3	9.8

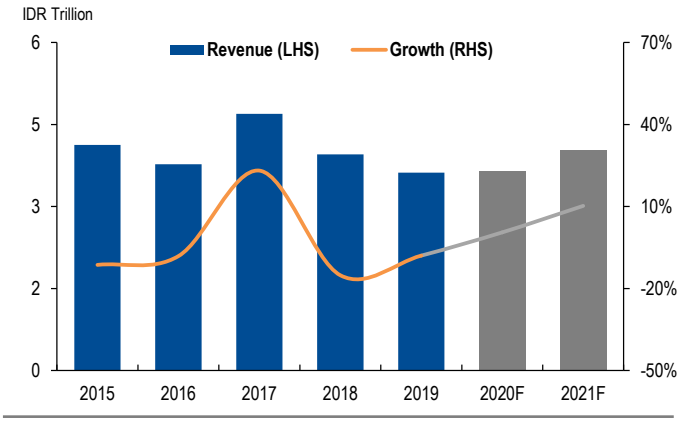
Unit: IDR bn, %

Source: Company Data, Bloomberg, NHKSI Research

Company Overview

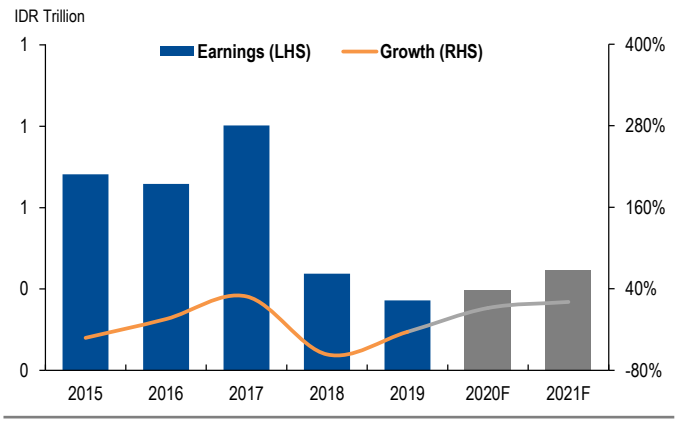
London Sumatra Indonesia Tbk (LSIP) didirikan pada tahun 1906. Diambil alih oleh Harrison & Crossfield pada tahun 1994, menempatkannya dalam satu grup bersama New Britain Palm Oil di Papua New Guinea dan Golden Hope di Malaysia (sekarang menjadi anak usaha dari Sime Darby). LSIP terdaftar pada Juli 1996. Pada 2007, PT Salim Ivomas Pratama dan Indofood Agri Resources mengakuisisi 64,4% saham di LSIP. LSIP merupakan emiten dengan market cap terbesar keempat sebesar Rp6,7 triliun dengan Astra Agro Lestari Tbk (AALI) menempati peringkat pertama. Saat ini jumlah area perkebunan inti kelapa sawit Lonsum sebesar 115.665 hektar.

Revenue & Growth Movement



Source: Company Data, NHKSI Research

Earnings & Growth Movement



Source: Company Data, NHKSI Research

Southeast Asia Peers Comparison

	Market Cap (USD mn)	Total Asset (USD mn)	Total Sales* (USD mn)	Net Profit* (USD mn)	NPM* (%)	ROE (%)	P/E (x)	P/BV (x)
Indonesia								
ASTRA AGRO LESTARI TBK	1,270	1,948	1,257	39	3.1	3.0	33.4	1.0
SAWIT SUMBERMAS SARANA TBK	531	855	237	-31	-13.1	-11.2	N/A	2.1
LONDON SUMATRA INDONESIA TBK	459	738	256	23	9.1	4.0	20.1	0.8
SALIM IVOMAS PRATAMA TBK	346	2,521	979	-37	-3.8	-3.9	N/A	0.3
DHARMA SATYA NUSANTARA TBK	264	839	440	20	4.7	5.3	13.2	1.0
SAMPOERNA AGRO TBK	230	684	245	4	1.6	0.8	59.3	0.8
Malaysia								
SIME DARBY PLANTATIONS BHD	8,461	6,969	2,909	76	2.6	1.7	88.3	2.7
IOI CORPORATION BHD	6,770	3,988	1,802	98	5.5	4.5	70.4	3.2
KUALA LUMPUR KEPONG BHD	5,953	4,870	3,696	101	2.7	4.0	59.5	2.5
GENTING PLANTATIONS BHD	2,137	2,068	532	46	8.7	4.3	46.7	1.9
IJM PLANTATIONS BHD	1,370	5,435	1,586	60	3.8	2.6	23.2	0.6
FGV HOLDINGS BHD	1,033	4,373	3,066	-92	-3.0	-9.0	N/A	1.1
Singapore								
WILMAR INTERNATIONAL LTD	21,356	47,049	43,117	1,261	2.9	7.6	17.8	1.3
FIRST RESOURCES LTD	1,577	1,709	606	99	16.4	9.0	14.2	1.5
GOLDEN AGRI RESOURCES LTD	1,449	8,779	6,472	81	1.2	1.9	18.0	0.3

Note: * = Last Twelve Months (LTM)

Source: Bloomberg, NHKSI Research

Financial Summary

INCOME STATEMENT

(IDR bn)	2019/12A	2020/12F	2021/12F	2022/12F
Revenue	**3,699**	**3,719**	**4,099**	**4,320**
Growth	*-8.0%*	*0.5%*	*10.2%*	*5.4%*
COGS	(3,138)	(3,130)	(3,365)	(3,490)
Gross Profit	**562**	**589**	**734**	**830**
Gross Margin	*15.2%*	*15.8%*	*18.0%*	*19.2%*
Operating Expenses	(361)	(314)	(347)	(368)
EBIT	**301**	**317**	**437**	**513**
EBIT Margin	*8.1%*	*8.5%*	*10.7%*	*11.8%*
Depreciation	387	393	407	413
EBITDA	**687**	**709**	**843**	**926**
EBITDA Margin	18.6%	19.1%	20.6%	21.4%
Interest Expenses	(1)	(1)	(1)	(1)
EBT	**353**	**363**	**455**	**531**
Income Tax	(100)	(80)	(113)	(122)
Minority Interest	1.3	0.4	0.5	0.6
Net Profit	**254**	**284**	**342**	**409**
Growth	*-23.4%*	*11.7%*	*20.4%*	*19.4%*
Net Profit Margin	*6.9%*	*7.6%*	*8.3%*	*9.5%*

PROFITABILITY & STABILITY

	2019/12A	2020/12F	2021/12F	2022/12F
ROE	3.0%	3.3%	3.9%	4.5%
ROA	2.5%	2.7%	3.1%	3.5%
ROIC	3.0%	3.3%	3.9%	4.6%
Cash Dividend (IDR bn)	130	102	120	150
Dividend Yield	1.3%	1.2%	1.5%	1.8%
Payout Ratio	39.1%	40.3%	42.3%	43.8%
DER	20.3%	23.6%	24.7%	28.0%
Net Gearing	6.3%	10.4%	8.2%	8.4%
LT Debt to Equity	0.0%	0.0%	0.0%	0.0%
Capitalization Ratio	0.0%	0.0%	0.0%	0.0%
Equity Ratio	83.1%	80.9%	80.2%	78.1%
Debt Ratio	0.0%	0.0%	0.0%	0.0%
Financial Leverage	120.3%	123.6%	124.7%	128.0%
Current Ratio	469.7%	323.5%	464.3%	513.1%
Par Value (IDR)	100	100	100	100
Total Shares (mn)	6,823	6,823	6,823	6,823
Share Price (IDR)	1,495	1,200	1,200	1,200
Market Cap (IDR tn)	10.2	8.2	8.2	8.2

BALANCE SHEET

(IDR bn)	2019/12A	2020/12F	2021/12F	2022/12F
Cash	1,132	1,426	1,764	2,252
Receivables	367	369	442	413
Inventories	342	395	396	411
Total Current Assets	**2,192**	**2,538**	**2,948**	**3,432**
Net Fixed Assets	6,328	6,351	6,404	6,475
Other Non Current Asset	432	439	458	446
Total Assets	**10,225**	**10,596**	**10,971**	**11,588**
Payables	235	274	279	291
ST Bank Loan	-	-	-	-
LT Debt	-	-	-	-
Total Liabilities	**1,727**	**2,022**	**2,175**	**2,532**
Capital Stock	1,713	1,713	1,713	1,713
Retained Earnings	6,772	6,847	7,069	7,329
Total Equity	**8,499**	**8,574**	**8,796**	**9,055**

VALUATION INDEX

	2019/12A	2020/12F	2021/12F	2022/12F
Price/Earnings	40.2x	28.9x	23.9x	20.0x
Price/Book Value	1.2x	1.0x	0.9x	0.9x
Price/Sales	2.8x	2.2x	2.0x	1.9x
PE/EPS Growth	-1.7x	2.5x	1.2x	1.0x
EV/EBITDA	15.7x	12.0x	9.6x	8.3x
EV/EBIT	35.9x	26.7x	18.6x	14.9x
EV (IDR bn)	10,781	8,474	8,136	7,649
Sales CAGR (3-Yr)	-1.3%	-7.8%	0.7%	5.3%
EPS CAGR (3-Yr)	-24.6%	-28.1%	1.1%	17.2%
Basic EPS (IDR)	37	42	50	60
Diluted EPS (IDR)	37	42	50	60
BVPS (IDR)	1,246	1,257	1,289	1,327
Sales PS (IDR)	542	545	601	633
DPS (IDR)	19	15	18	22

CASH FLOW STATEMENT

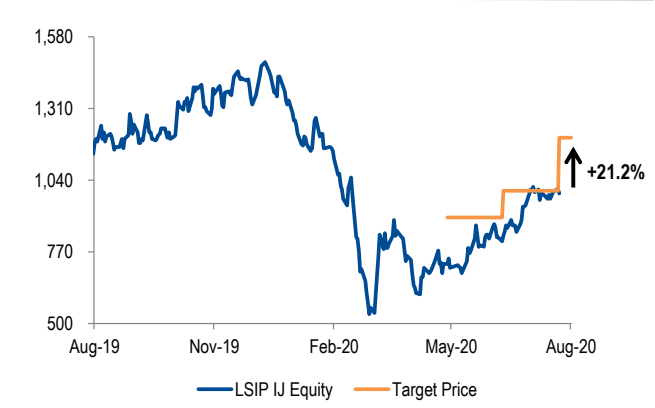
(IDR bn)	2019/12A	2020/12F	2021/12F	2022/12F
Operating Cash Flow	480	927	527	859
Investing Cash Flow	(861)	(444)	(69)	(222)
Financing Cash Flow	(151)	(188)	(120)	(150)
Net Changes in Cash	**(532)**	**295**	**338**	**487**

TOP OWNERSHIP

By Geography	%	Shareholders	%
Indonesia	92.7	Salim Ivomas Pratama	59.5
United States	6.7	Dimensional Fund	1.7
Ireland	0.2	Vanguard Group	1.3
Singapore	0.2	Blackrock	0.8

Source: Company Data, NHKSI Research

Closing & Target Price Update



Source: Bloomberg, NHKSI Research

Rating & Target Price Update

Date	Rating	Target Price	Consensus
2017.10.12	Buy	IDR1,970	IDR1,700
2018.01.05	Buy	IDR1,540	IDR1,750
2018.05.16	Buy	IDR1,380	IDR1,100
2018.08.30	Buy	IDR1,680	IDR1,364
2018.10.05	Buy	IDR1,380	IDR1,170
2020.05.20	Buy	IDR900	IDR1,157
2020.07.02	Buy	IDR1,000	IDR1,028
2020.08.13	Buy	IDR1,200	IDR1,154

Source: NHKSI Research

NHKSI Stock Ratings

- Based on a stock's forecasted absolute return over a period of 12 months from the date of publication.
- Buy: greater than +15%, Hold: -15% to +15%, Sell: less than -15%.
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