

Monday, 4 November 2019

BUY
Maintain

Last price (IDR) 1,350
Target Price (IDR) 1,550
Upside/Downside +14.8%
Previous Target Price (IDR) 1,550

Stock Statistics

Sector Plantation
Bloomberg Ticker LSIP IJ
No of Shrs (mn) 6,820
Mkt. Cap (IDRbn/USDmn) 9,207/656
Avg. daily T/O (IDRbn/USDmn) 12.6/0.9

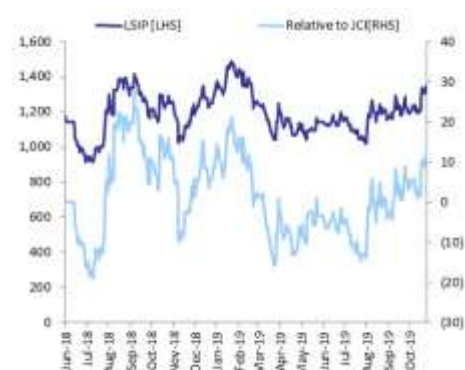
Major shareholders (%)

Salim Ivomas Pratama 59.5
Public 40.5
Estimated free float 40.4

EPS Consensus (IDR)

	2019F	2020F	2021F
Danareksa	13.6	57.3	65.9
Consensus	34.7	60.2	66.5
Danareksa/Cons	(60.7)	(4.9)	(0.8)

LSIP relative to JCI Index



Source : Bloomberg



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PP London Sumatra (LSIP IJ)

Below, but Back to Black in 3Q19

9M19 earnings of IDR52.5bn is a (-64.8% yoy) result shows a below than what we expected and below consensus figures mainly driven by price going down by 11.9% yoy and inched down by 2% QoQ. Sales of IDR2.6tn (-10.0%yoy) is actually 47.8% QoQ improvement in 3Q19 yoy. In-light of the result we trimmed our earnings by 32.7% in FY19 and 17.8% in FY20 as we trimmed our CPO production by 8.4% and 6.1% for the corresponding period. We maintain BUY TP1,550/share as we value LSIP by EV/Hectare basis which is not significantly affected by change in earnings.

9M19 result is below our initial numbers and consensus. Sales clocked a IDR2.6tn in 9M19 only achieved 66.8% of our initial figures and 63.4% of consensus, while 3Q19 figures shows an improvement of 49.0% qoq on seasonality as CPO sales volume surged 52.1% qoq and ASP -2.0% at IDR6,436 in 3Q19. 9M19 bottom line at IDR52.5bn only make up 38.0% of our initial figures and 24.4% consensus figures, while 3Q19 figure actually showing a swing from -IDR37.2bn in 2Q19 to positive of IDR42.1bn in 3Q19 despite IDR124.0bn inventory drawdown. The below than expected result necessitates us to revise the earnings for 2019 and 2020.

Adjusting lower price and higher volume. We adjusted down CPO sales volume by 4.0% to 446.4k tons in 2019 and -6.5% to 449.4k ton in 2020. We also cut our CPO production figure to 402.2k ton (-11.2% yoy) 430.1k ton (+6.9% yoy) or -8.4% and -6.1% in 2019 and 2020 vs our initial estimates. The lower CPO production figure mainly stems from a negative FFB production which we now forecast to hit negative -2.5% yoy in 2019 tailed by +2.5% yoy in 2020 from initially a positive growth of 2.5% and 3.0% yoy. The result is new sales figure of IDR3.6tn in 2019 and IDR 4.1tn 2020 or lower by 7.5% and 7.4% than our initial estimates

Lower CPO production means less FFB purchase, thus we revise the FFB purchase by -25.3% vs our old figures and resulting in IDR372.1bn purchase while next year figure of IDR531.3bn, or a growth of 48.0% yoy in value and 31.1% in volume. The result is a bottom line of IDR93.0bn in 2019 and IDR390.9bn in 2020, or -32.1% and -16.9% than what we initially expected.

Maintain BUY. We maintain our TP of IDR1,550 as we value the company on a EV/ha basis at an applied USD6,109/ha EV/ha or at its 3 years average for the metrics, thus the earnings revision doesn't significantly impact our valuation. The stock is currently trading at a discount of USD5,585/ha or just above -0.5std of its 3-year historical EV/ha. The counter currently trades at 24.3x FY20 PE and 1.0x PBV.

Key Financials

Year to 31 Dec	2017A	2018A	2019F	2020F	2021F
Revenue(IDRbn)	4,738	4,020	3,580	4,157	4,251
EBITDA(IDRbn)	1,324	694	453	854	926
EBITDA Growth (%)	14.2	(47.6)	(34.8)	88.6	8.4
Net profit (IDRbn)	733	331	93	391	449
EPS (IDR)	107.5	48.6	13.6	57.3	65.9
EPS growth (%)	23.5	(54.8)	(71.9)	320.2	15.0
BVPS(IDR)	1,206.0	1,221.2	1,203.9	1,255.1	1,295.2
DPS(IDR)	44.1	45.0	19.0	6.1	25.8
PER (x)	13.0	28.7	102.3	24.3	21.2
PBV (x)	1.2	1.1	1.2	1.1	1.1
Dividend yield (%)	3.2	3.2	1.4	0.4	1.8
EV/EBITDA (x)	6.0	11.3	17.2	8.7	7.6

Source : LSIP, Danareksa Estimates

Exhibit 1. 9M19 Result

LSIP 9M19 Results	3Q18	2Q19	3Q19	YoY	QoQ	9M18	9M19	YoY	FY19F New	% DS	FY19F	% Cons
Sales (IDR Bn)	1,111	670	990	-10.8%	47.8%	2,874	2,586	-10.0%	3,580	72.2%	4,076	63.4%
Gross profit (IDR Bn)	195	42	118	-39.5%	178.0%	591	294	-50.3%	398	73.8%	524	56.0%
Operating profit (IDR Bn)	96	(48)	22	-77.2%	-145.4%	332	9	-97.2%	42	22.0%	207	4.5%
Pretax profit (IDR Bn)	153	(30)	65	-57.5%	-318.4%	443	83	-81.3%	125	66.4%	256	32.3%
Net profit (IDR Bn)	120	(37)	42	-64.9%	-213%	345	53	-84.8%	93	56.5%	215	24.4%
Tax Rate (%)	22%	-28%	36%			23%	38%		30.0%			
Gross Margin	17.6%	6.3%	11.9%			20.6%	11.4%		11.1%		12.9%	
Operating Margin	8.6%	-7.2%	2.2%			11.6%	0.4%		1.2%		5.1%	
Net Income Margin	10.8%	-5.6%	4.2%			12.0%	2.0%		2.6%		5.3%	

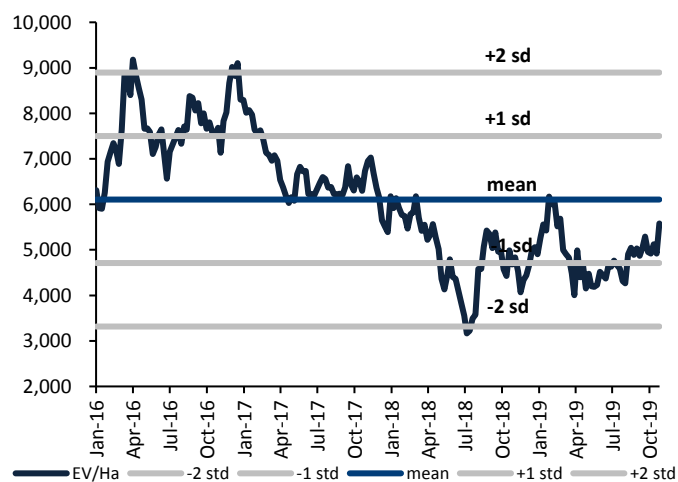
Source: Company, Danareksa Sekuritas

Exhibit 2. Earnings Revision

LSIP In IDR bn	2019F			2020F		
	New	Old	%chg	New	Old	%chg
Profit & Loss						
Sales	3,580	3,871	-7.5%	4,157	4,487	-7.4%
COGS	(3,182)	(3,374)	-5.7%	(3,355)	(3,539)	-5.2%
Gross profit	398	497	-19.8%	802	948	-15.4%
Operating profit	42	119	-64.8%	424	546	-22.3%
Net profit	93	138	-32.7%	391	475	-17.8%
Core profit	81	138	-41.7%	389	475	-18.1%
Gross margin	11.1%	12.8%		19.3%	21.1%	
Operating margin	1.2%	3.1%		10.2%	12.2%	
Net margin	2.6%	3.6%		9.4%	10.6%	
CPO Price (MYR/ton)	2,100	2,100	0.0%	2,400	2,400	0.0%
LSIP's CPO Price (Rp/kg)	6,467	6,539	-1.1%	7,307	7,307	0.0%
LSIP's Rubber Price (Rp/kg)	22,303	22,303	0.0%	22,978	22,978	0.0%
FFB Production (k tons)	1,477.6	1,546	-4.4%	1,514.6	1,592	-4.9%
FFB Purchase (k tons)	271	363	-25.3%	355	398	-10.7%
FFB Processed (k tons)	1,749	1,908	-8.4%	1,870	1,990	-6.1%
CPO Production (k tons)	402	439	-8.4%	430.1	458	-6.1%
CPO Sales Volume (k tons)	446.4	465	-4.0%	449.4	481	-6.5%
Kernel Sales Volume (k tons)	118	126	-6.6%	124	132	-6.1%
Rubber Sales Volume (k tons)	8	9	-10.3%	9	9	-8.9%
USD MYR Assumptions	4.2	4.2		4.2	4.2	
USD IDR Assumptions	14,200	14,200		14,200	14,200	

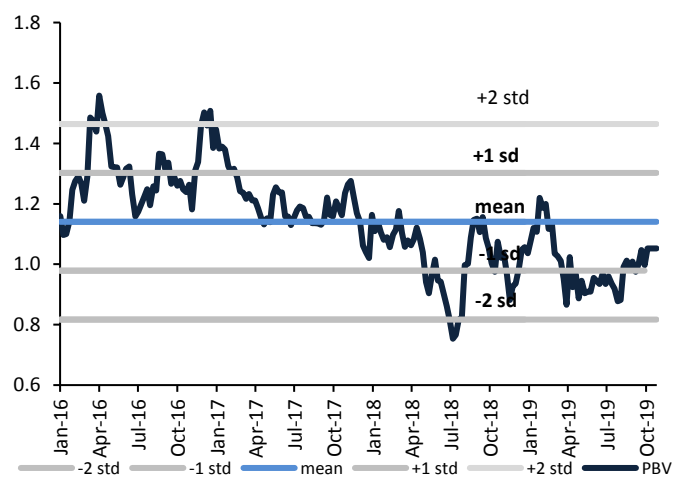
Source: Company, Danareksa Sekuritas

Exhibit 3. 2016-YTD Historical EV/ha



Source: Company, Danareksa Sekuritas estimates

Exhibit 4. 2016-YTD Historical PBV



Source: Company, Danareksa Sekuritas estimates

Exhibit 5. Income Statement

Year to 31 Dec (IDRbn)	2017A	2018A	2019F	2020F	2021F
Revenue	4,738	4,020	3,580	4,157	4,251
COGS	(3,444)	(3,337)	(3,182)	(3,355)	(3,379)
Gross profit	1,294	683	398	802	872
EBITDA	1,324	694	453	854	926
Oper. profit	939	310	42	424	484
Interest income	57	71	72	81	91
Interest expense	(1)	0	(2)	(2)	(2)
Forex Gain/(Loss)	2	31	0	0	0
Income From Assoc. Co's	2	7	(3)	(3)	(3)
Other Income (Expenses)	(37)	(1)	15	4	11
Pre-tax profit	963	417	125	505	581
Income tax	(229)	(88)	(34)	(116)	(134)
Minority interest	0	2	2	2	2
Net profit	733	331	93	391	449
Core Net Profit	731	300	93	391	449

Exhibit 6. Balance Sheet

Year to 31 Dec (IDRbn)	2017A	2018A	2019F	2020F	2021F
Cash & cash equivalent	1,633	1,663	1,739	2,067	2,473
Receivables	175	152	144	168	171
Inventory	308	489	392	414	463
Other Curr. Asset	182	140	140	140	140
Fixed assets - Net	4,090	4,090	4,007	4,122	4,167
Other non-curr.asset	3,464	3,504	3,433	3,304	3,089
Total asset	9,853	10,037	9,855	10,214	10,503
ST Debt	0	0	0	0	0
Payables	213	312	260	253	266
Other Curr. Liabilities	203	213	200	217	220
Long Term Debt	0	0	0	0	0
Other LT. Liabilities	1,206	1,180	1,180	1,180	1,180
Total Liabilities	1,622	1,705	1,640	1,651	1,666
Shareholder's Funds	8,225	8,328	8,211	8,560	8,833
Minority interests	6	4	4	4	4
Total Equity & Liabilities	9,853	10,037	9,855	10,214	10,503

Exhibit 7. Cash Flow

Year to 31 Dec (IDRbn)	2017A	2018A	2019F	2020F	2021F
Net income	733	331	93	391	449
Depreciation and Amort.	386	385	411	430	442
Change in Working Capital	228	(118)	27	(24)	(38)
Other Oper. Cash Flow	(181)	(7)	(58)	(95)	(85)
Operating Cash Flow	1,166	591	473	703	768
Capex	(242)	(320)	(306)	(405)	(273)
Others Inv. Cash Flow	(143)	(11)	121	74	88
Investing Cash Flow	(385)	(331)	(185)	(331)	(185)
Net change in debt	0	0	0	0	0
New Capital	0	0	0	0	0
Dividend payment	(301)	(307)	(130)	(42)	(176)
Other Fin. Cash Flow	13	77	(83)	(2)	(2)
Financing Cash Flow	(288)	(230)	(213)	(44)	(178)
Net Change in Cash	493	30	75	328	406
Cash - begin of the year	1,141	1,633	1,663	1,739	2,067
Cash - end of the year	1,633	1,663	1,739	2,067	2,473

Exhibit 8. Key Ratios

Year to 31 Dec	2017A	2018A	2019F	2020F	2021F
Growth (%)					
Sales	23.1	(15.2)	(10.9)	16.1	2.3
EBITDA	14.2	(47.6)	(34.8)	88.6	8.4
Operating profit	18.9	(67.0)	(86.4)	908.1	14.2
Net profit	23.5	(54.8)	(71.9)	320.2	15.0
Profitability (%)					
Gross margin	27.3	17.0	11.1	19.3	20.5
EBITDA margin	28.0	17.3	12.7	20.6	21.8
Operating margin	19.8	7.7	1.2	10.2	11.4
Net margin	15.5	8.2	2.6	9.4	10.6
ROAA	7.5	3.3	0.9	3.9	4.3
ROAE	9.2	4.0	1.1	4.7	5.2
Leverage					
Net Gearing (x)	(0.2)	(0.2)	(0.2)	(0.2)	(0.3)
Interest Coverage (x)	1,741.3	729.2	21.0	211.9	242.0

Source : LSIP, Danareksa Estimates

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